

# ZERO<sup>TO</sup> HERO



## Binary Options Quick Start Guide

**anyoption**

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Welcome to anyoption's binary options "Quick Start" guide. This guide is designed to give you a solid introduction to the world of binary options trading and get you started on your journey to successful binary option trading.

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### Chapter 1 – Why Trade Binary Options?

Investing and profiting from stock market trading is something that many of us would like to do, however, there are barriers that prevent the average "Joe public" from doing this. The first barrier is capital, buying stocks is not cheap, or I should say that buying sufficient amounts of stocks to make a decent return is not cheap.

The second barrier is accessibility by this I mean, that even if you have the money to buy stocks the process of acquiring them is not so simple. I would have loved to buy some shares in Twitter when they went public, but the chances of me (the average Joe public) been able to do so is zero.

The third barrier is knowledge of the financial markets, knowing when to buy and when to sell is not as easy as it sounds and you have to rely on brokers and intermediaries to manage your portfolios. The execution of such trades is not only out of your hands in most cases but it also costs you money in fees and commissions.

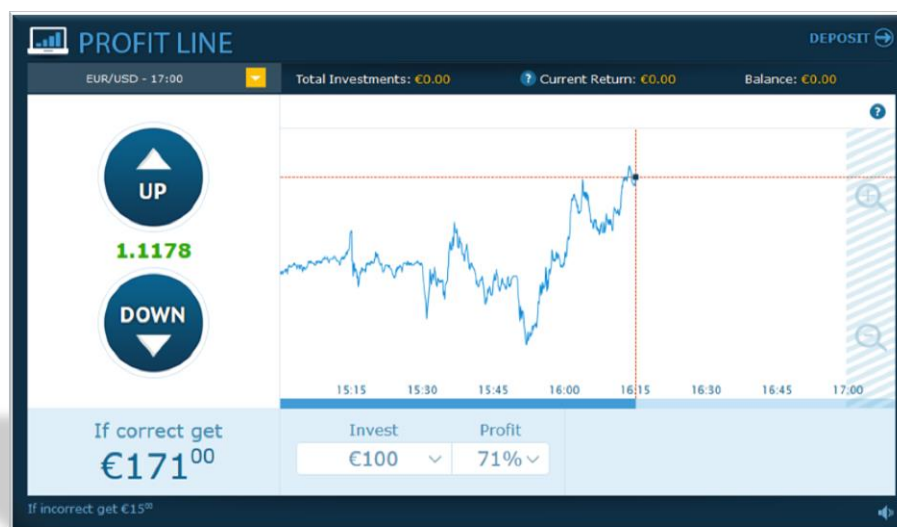


Binary options trading removes many of the barriers associated with traditional trading, the entry costs are low, you can trade options on hundreds of underlying assets, and you have total control of when you trade, and what you trade.

To put it simply, the world of traditional trading is rigid, slow, and complex, whereas the world of binary options trading is flexible, fast, and easy.

## Chapter 2 - What is binary option trading?

Binary option trading is type of financial instrument whereby you make predictions about the future price of stock market traded underlying assets – Commodities, Stock, Indices, and Currencies. With binary options, you are simply predicting if the price of an asset will rise above or fall below a certain point, in a set time frame.



Binary option trading differs from traditional trading in a number of ways but most notably in the following areas.

1. When trading binary options you are not purchasing physical stock, or ownership of a company.
2. Returns are fixed and pre-determined; so, you know exactly how much profit you will make before you commence trading.
3. Trades are short, normally lasting from between 10 minutes to an hour, although there are different binary option products such as One-Touch, which, allow you to take longer positions on an underlying asset.
4. With binary options, you can profit regardless if an underlying asset is rising or falling in price.
5. With binary options there are only two possible outcomes, your prediction is either correct, whereby you make a profit, or your prediction is incorrect whereby you lose all or most of your initial investment.

### Chapter 3 – The Trading Process

The major appeal of binary options apart from the high returns, which can be over 70%, is that it is accessible to anyone who wants to trade, you don't have to be a Wall Street tycoon to profit from options trading, nor do you need massive amounts of capital to get started.

The trading process itself is straightforward, and only requires that you make one of two choices, you either “Call” or “Put.” You select a “Call” option when you predict that the price of an underlying will finish above a certain price, and you select a “Put” option when you predict an underlying asset will finish below a certain price.

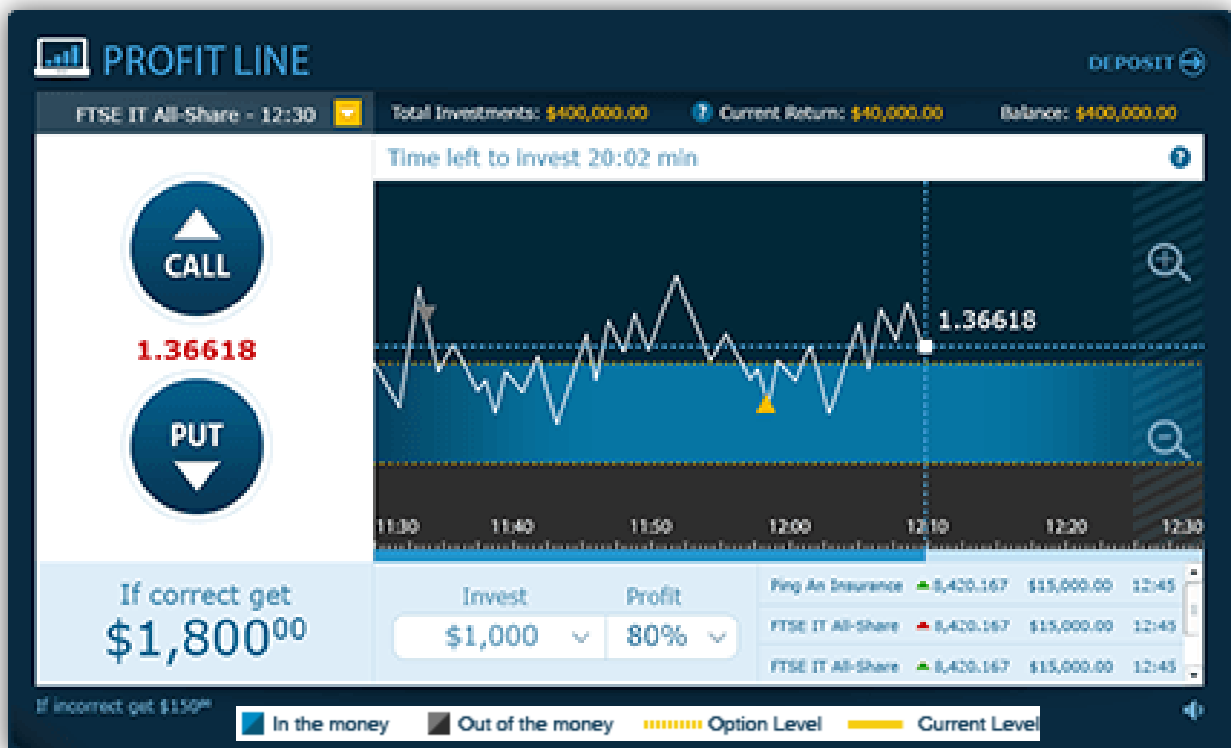
The certain price that we are referring to is known as the “Strike Price” – this is the price that an underlying asset holds when you commence trading. If the price of the underlying asset is above or below the “Strike Price” when the trade ends “Expires”, you will make a profit and be “In the Money” or you will lose your investment and be “Out of the money” depending the prediction you made.

**Example:** Twitter Option – I see that price of Twitter stock had been rising sharply for the last hour, but through technical analysis (we will cover in a later article in the Zero to Hero series), I have determined the stock price will start to fall. When I think the price has gone as high as it will go, I take a “Put” option with a “Strike Price” of \$37.28, and an expiry time of 1 hour. After 1 hour when the option “Expires” if the price of the Twitter stock option is below \$37.28 I make a profit.



### Recap on basic binary option Jargon

- **Call Option** – Predicts that an option will expire above the strike price.
- **Put Option** – Predicts that an option will expire below the strike price.
- **Strike Price** – The price an underlying asset holds when you commence trading.
- **Expiry Time** – The length of time that an option is open to trade. Expiry times can range from 60 seconds to 1 week.
- **Underlying Asset** – The underlying asset is the financial instrument (e.g., stock, futures, commodity, currency, index) on which a derivative's price is based.



### Chapter 4 – What Can I Trade?

When we refer to underlying assets, we are referring to either a group of assets – Commodities, Indices, Stocks and Currencies, or we are referring to the individual assets that fall underneath a particular group. Example Oil falls under Commodities; US Dollar falls under Currencies, the Dow Jones falls under Indices and companies like Apple or Facebook would fall under Stocks.



When you trade binary options, you have access to literally hundreds of underlying assets, in essence, you have the entire global market at your fingertips, and for beginner traders this can be overwhelming. Indeed, a beginner trader might compare this experience to that of a kid in a candy store, there is just so much choice that you don't know where to start, so you try a bit of everything, however, trying everything without knowledge of the underlying assets that you are trading can prove costly.



### Just pick one

As a beginner, I recommend that you start trading with just one underlying asset and get to know that asset inside and out; by this, I mean that you find-out all the factors that can influence the price of said asset, and then actively seek news and updates that pertain to these factors. These factors change from underlying asset to underlying asset in both complexity and scope, which means that it is easier to predict the market movements of some underlying assets, over others.

### Don't make life difficult

Some markets are more volatile than others are; by this, we mean that they are more prone to price fluctuations. Now, in traditional trading, or other forms of trading such as spread betting the more volatile the market the more chance there is to make bigger profits. However, with binary options trading the payout is fixed, so it makes no difference if a trade expires \$100 above the strike price (if a Call Option is selected) the payout will still be the same. Giving this it makes no sense to trade underlying assets that are prone to volatility; it makes more sense to choose underlying assets that are less volatile thus it is easier to predict their market movements.

### Indices

Indexes comprise of a group of companies within a certain market sector, or stocks that have some form of commonality. Indexes provide a way of measuring the value of a section of the stock

market. The value of an Index is normally based on the price-weight of the individual components that make up the index – however, how Indexes are valued and the type of weight measurement used can vary from Index to Index.



Anyway, I digress, the main thing about Indexes is that they don't change direction easily and the price of an Index (depending on the size) is generally only effected by major market news and events such as rate changes, jobs reports and housing market reports. This makes it easier to predict their movements and to determine events that will trigger trend shifts.

### Currency Pairs

Although trading currencies is normally conducted in the FOREX market, they can also be traded via binary options, the difference been that the payout is fixed when trading currencies as binary options, and you don't actually buy the currencies that you are trading.

Trading currencies can be lots of fun if you like edge of your seat trading as the nature of the currency market place is very volatile and any number of factors can affect the price of a currency from political, to social to economic. For beginner traders it might be best to give this market a pass until you are more experienced.



### Stocks

Trading stock options is one of my personal favorites, while this market is also prone to volatility it is also one that is prone to trends, and it is easy to determine when a company stock is likely to trend. Companies are easy to track in the news and any announcements made by a company can trigger a trend be it an up-trend or down trend. New product launches will generally trigger an uptrend, whereas a bad earnings report will trigger a downtrend, if you want to trade stock options, then you need to be taking positions as soon as the news pertaining to that company is made public. With stock options, it really is a case of the early bird catches the first worm (or trend).

### Commodities

The commodities market can be hard to navigate there are a myriad of factors that can influence commodity prices – political events (both Global and Local), supply and demand, weather, economic events are to name but a few. If you want to trade commodities then you need to watch the markets as a whole. Example if you are interested in trading oil you need to look to think both global and local, while there may be one major event that you think will influence the price to move one way, you will find there are lots of smaller events that make it move the other way. To trade commodities you really need to have your finger on the pulse!



### More Great Info to Follow

Now that you have finished the Quick Start guide you should have a deeper understanding of binary options. However, your journey to be a successful trader is not over yet – we still need to teach you about risk management strategies, market analysis and trading strategies.

Each day for the next 3 days we will send you by email another piece of the puzzle by the end of that time you will be ready to place your first trade and begin to reap the rewards that this form of financial trading provides.

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