

Lesson 1

WHAT ARE BINARY OPTIONS

Binary Options – it's a relatively new financial instrument that becomes more and more popular. The name "Binary" – composed of two pieces, means that you have two possible outcomes. In other words you are either in profit or in a loss.

You have to choose between two options: Up (Call) or Down (Put). Before you open a trade (buy an option) you already know what will be your profit or loss after the trade expires. Although Binary Options trading does not require in depth market knowledge, some trading skills and practice will be needed.

The better you prepare yourself at a start, the better result you will achieve at the end.

The idea of trading Binary Options is to predict the direction of an asset price, whether it will go up or down. For example: you opened a trade at a specific price and made a prediction that in one hour the price of an asset will be higher or lower. If your prediction is successful, you will receive a profit equal to 70-85% (this is an estimate profit that can differ depending on a broker). If your prediction is unsuccessful, you will lose 100% of the capital invested (trade).

Binary Options can be traded on the following asset classes:



CURRENCIES: *Forex market (EURUSD, GBPUSD, etc.)*



STOCKS: *Various companies such as Google, Amazon, Apple*



COMMODITIES: *Gold, Silver, Oil, Copper*



INDICES (Baskets of Stocks): *RTS Future, Dow Jones, Nasdaq*

Within given asset classes there is a huge variety of assets to trade offered by Amber Options. Bigger choice of assets means bigger profit potential.

Unfortunately the reality is that 90% of beginner traders are losing money. So what is required from you to be amongst 10% that are profitable?

- **Correct psychological approach**

If greed and excitement takes over, you will lose money guaranteed.

- **Control the fear to lose money**

You have to be prepared for the risk as there is no trading without losses. It is important to understand and accept this. With a good money management, losing trades won't become curtail.

- **Market knowledge**

Spend enough time studying the charts, news and trends. The knowledge and the ability to use it in live trading is a huge advantage in the market, besides it will boost your self-confidence.

- **Proper money and risk management**

Many beginners lose money only because they open risky trades. You should not concentrate on the immediate profit, but profit over some period of time. So overall, when you make a trade using 30% of the deposit it will not necessary yield higher profits than a 10% trade. We'll talk about it in more details later on.

- **Discipline**

This is an extremely important success factor. You must strictly follow your strategy, have a trading journal and from time to time analyze your results. You can say that discipline and determination – is the foundation for success in binary options trading.

It's not needed to be a financial guru to understand Binary Options and make profit with this instrument. The success with Binary Options can be displayed as follows:



If you traded before and lost money, look at the diagram above and you will understand why 90% of people that just started trading binary options are looking for strategies, indicators and other tools to make trading easier. The reality is that discipline is the key component. And even if you'll have a lot of profitable trading strategies at your disposal, without following the discipline and the risk management, the result will be disappointing.

WHAT IS THE DIFFERENCE BETWEEN BINARY OPTIONS AND CASINO

Nowadays you can find a lot of reviews online saying that binary options is a casino and maybe even worse. Because when you lose, you lose 100%, but if you win, you get 70-85%.

So what is the difference?

While in casino it's all based on pure luck, in binary options you can analyze and forecast the market. Besides, reputable brokers have their price quotes provided by reliable and open sources like Reuters information agency. Therefore it would be a mistake to say that Binary Options is a casino.

BINARY OPTIONS ADVANTAGES FOR BEGINNERS

Binary Options is one of the best instruments for beginners that have been implemented for trading financial markets. Trading can become your discovery of the new way to work in the financial markets and a good starting point for further growth.

There are following advantages:

- **Simplicity**

It is unlikely you will find the financial instrument that you can easily master. As it has been mentioned before, you can start trading with the minimum efforts, and at the same time earn profits from the first trade. In this regard Forex and other sophisticated financial instruments require far deeper knowledge, education and experience.

- **Ability to start with the small initial capital**

Currently there are many brokers where you only need 10\$ to start trading, not to mention that the minimum trade size is as low as 0.1\$-1\$. Despite that, it is best to start with higher capital, because psychologically you can get exhausted very fast. You might start taking unreasonable risks in order to make quick cash and will consistently lose money. We will get back to this topic later.

- **Predefined risk/reward**

You know in advance how much you can earn and what is your exposure, and as a result, trade reasonably. It is a huge advantage for traders' psychology.

CHOOSING BINARY OPTIONS BROKER

It is better to carefully study a binary options broker where you decided to open an account. Blindly following various forums and online reviews is not a good idea. Because often these are paid reviews, and competitors may order negative feedback.

After the broker has been chosen, you need to go through the registration process. We won't go into details here because it is very simple and straight forward.

Because many beginners make mistakes during registration, that ultimately leads to inconvenient misunderstandings associated with the withdrawal of the earned profits, we'll concentrate on important steps.

1. *Make sure to register under your real name*
2. *Submit your real address.*
3. *Think in advance what payment system you want to use. Keep in mind that, withdrawals are usually made in the same way and in the same currency as a deposit.*
4. *In order to withdraw earned profit your trading account would have to be verified. Do this in advance, preferably after you made a deposit. Verification takes certain time depending on the broker, but on average from 2 days.*

For verification you would need scanned copy of your documents. Usually that's a scan copy of your passport (for identity verification).

As mentioned above, prepare these documents in advance and send it to the broker. Some people do make mistakes during registration. For some reason they think it's best to hide all personal information, and then complain that cannot make a withdrawal. Some are afraid to pass the verification, and delaying the process themselves.

Assignment:

1. *Determine the broker for further practice.*
2. *Undergo the procedure of opening an account at the selected broker.*
3. *Study all the assets available for trading and choose the most interesting.*
4. *In the next tutorial we'll analyze different types of option trading step by step.*