

## Lesson 3

### **CALCULATING PERCENTAGE OF WINNING TRADES FOR TRADING WITHOUT LOSSES**

Before you start trading binary options seriously, you should know exactly what percentage of profitable trades guarantees you profit. This is important, as some mistakenly believe it's possible to trade without losses, and then actual losing trade leads them to hysterics. After that they start acting irrationally, which ultimately leads to wiping out their deposit.

Trading psychology is one of the most important factors to be profitable in Binary Options trading. It is important to grow personal qualities to make a great trader. Profitable trading is not a sprint, but a marathon. In reality, to be profitable it's not necessary to have very high percentage of winning trades.

To begin with, calculate the percentage of winning trades that guarantees you trading without losses. If you can consistently trade without losses, then it's just a matter of time when winning ratio will increase.

Using simple calculations, you can determine what percentage of winning trades is required to be profitable. Let's look at example with the following conditions: 85% payout. So it turns out that 54% of profitable trades needed to guarantee trading without losses. Well, to be precise its 54.05% and you are not losing money. Thus, having 55% of trades profitable you already start earning.

#### *Do your own math:*

*We made 100 trades, with 25\$ per trade, that makes a total volume of 2 500\$. With 55 trades being profitable would make us a profit of  $(55 * 46.25 =) 2 543,75$$ . Subtotal:  $2 543,75$ - 2 500$ = 43.75$$  our profit.*

It's not difficult to reach 60% of profitable trades if you follow the rules. Don't chase fast results. Gradually study the chart, observe the behavior of the asset you are trading, "trade" on paper account and everything will be fine.

### **BUDGET MANAGEMENT AND RISK MANAGEMENT**

One of the most important factors for success in binary options trading is the ability to properly manage your budget and strictly adhere to the rules of risk management. When you start your journey with binary options, you only see numbers 70-80% profit (in 5 minutes).

Beginners don't have a habit of calculating and planning future profit, which is the reason why they lose money. Not often a website will reflect objective information. Usually there is nothing mentioned about the risk, and the only thing flashing in front of your eyes is that if you invest 100\$ - you get back 170\$.

But considering the minimal starting deposit is 200-250\$, 100\$ is almost 50%. And this means that you are exceeding tolerable risk. What are you risking? You are risking wiping out your deposit in just two trades and staying out of the market. Your goal as a beginner is to stay in the market and trade.

As mentioned above, you only need a small advantage over the market to trade without loss. To dispel the myths and illusions, I want to show you how different trade size (based on a percentage of deposit) affects the profitability of trading. Look at the chart below. It presents results of trading with various percentage of your capital. The results are based on the following conditions: there were 160 trades, 55% of winning trades (88 winners and 72 losers).

Initial Deposit <i>(Starting Capital)</i>	Trade Size <i>(% of the deposit)</i>	Result <i>(after 160 trades)</i>	
1 000\$	10%	2 072\$	You double your deposit
1 000\$	12%	2 183\$	+
1 000\$	14%	2 227\$	+
1 000\$	20%	1 956\$	+
1 000\$	30%	820\$	Loss 180\$
1 000\$	40%	145\$	Loss 855\$
1 000\$	50%	10\$	You almost losst your deposit

Draw your own conclusions, but better develop a habit to make all the calculations in long run.

A few more tips:

- Do not try to recoup. Such desire can never lead to a positive result. Learn to accept losing trades. As it says: lost the battle, but didn't lose the war.
- If you have three losing trades in a row, stop trading for that day. Turn off the computer and read a book or better walk in park.
- Don't rush. Market will not go anywhere and you shouldn't try to make as many trades as possible. Wait for the favorable conditions and you will hit directly in the target.

**Assignment:**

1. *Determine what your profit target is for the nearest future. Then determine how much you are ready to invest to meet this target. Now calculate how many profitable trades you need to achieve this goal. For example, your goal is 1000 USD per month, and you are ready to invest 5000 USD. Considering that your trade size is 5% of the initial capital (250 USD) and payout is 85% on the invested capital (250\*85%=212.5), you need to make 5 positive trades (1000/212.5 = 4.7).*
2. *Choose the most interesting asset for trading and make certain amount of trades that you calculated previously. If you get to achieve the goal, congratulations, you are ready to trade independently. If the result is not as expected, continue to study this course.*

In the next lesson, I'll tell you what to use and want is better to avoid for trading successfully.