

Secrets *to* Smart Trading in Volatile Financial Markets

How to Trade Wisely with Binary.com in 2016



Vince Stanzione



Binary.com
Sharp Prices. Smart Trading.

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INTRODUCTION



"A pessimist is one who makes difficulties of his opportunities, and an optimist is one who makes opportunities of his difficulties."

- Harry S. Truman

2015: A POOR YEAR FOR INVESTORS, BUT A GOOD YEAR FOR TRADERS

2015 has been a very volatile year for the financial markets, with very little gains in the major indices. The S&P 500 – which is one of the most followed indices in the world, representing 500 blue-chip stocks, including household names such as Apple, Microsoft and Amazon – was down 0.7%, or up 1.2% if you include dividends ... hardly a return to write home about. Overall, 2015 has seen poor returns for most fund managers and investors.

And yet, whilst 2015 has been a poor year for “buy-and-hold investors,” traders that have been more “nimble” – able to get in and out of markets quickly – had an excellent annum. The ability to profit from down moves, which I will explain further in this book, was also very advantageous. Additionally, being able to trade other assets – such as Oil, Silver and Gold – both up and down proved beneficial during the past year. These markets can all be traded with one Binary.com account, and you can trade at will in your base currency (such as the Australian Dollar [AUD], even though Gold and Oil are normally quoted in USD).

Of course, hindsight is always 20/20, whenever we reflect upon the past. However, ***I strongly believe 2016 will be another year where the “nimble” trader can make money from the markets, even if the overall growth trend is flat.*** Within the course of this book, I will also show you how to profit from markets with an absence of movement, as well as lock in returns from sideways trading ranges.

Many professional traders and financial institutions sell traded options, which allow them to collect premium, and in many cases, the options expire with worthless returns – not an easy situation for the smaller investor to endure. However, with Binary.com, there are ways to profit from these ranges – by successfully predicting that a certain outcome will not occur. For example, let's take the prediction that the Dow Jones will close below 18,000 in the next 14 days; it's difficult to invest in this type of outcome with other brokers, especially with a small account. Binary.com makes it readily possible to purchase such a trade, with as little as \$1 staked on the prediction.

One of the main advantages to trading binary options through Binary.com is the ability to profit from a full range of financial situations, no matter how bullish or bearish the markets happen to be. In this book, I will walk you through a variety of different scenarios and evergreen strategies, to help you achieve maximum success by applying practical judgment.

CHAPTER 1: CORE BASICS

THE KEY DIFFERENCE BETWEEN A BINARY OPTION AND A MARGINED FOREX, CFD OR FINANCIAL SPREAD BET

You have likely heard of margin trading or futures trading, as well as the variations thereof – such as Financial Spread Betting (common in UK) and Contracts For Difference (CFDs), which are higher-risk products.

With these types of products, you profit from market movement up or down. The more correct you are, the more you make; the more wrong you are, the more you lose. The appeal of margin trading is that you can control a large position with a small amount of capital or deposit (i.e., the “margin”). The downside is that you can really lose your shirt if you’re not careful; it’s inherently a lot riskier, since you never know with any degree of certainty how much you stand to gain or lose, depending on the level of movement in the market. With this type of trade, it’s also possible to lose more than your initial investment; this dreaded situation is known as a “margin call” or “house call,” when the broker comes knocking for additional funds to cover your position.

Binary options trading is quite the opposite of margin trading or futures trading, in that it involves a limited degree of risk – all under your direct control through the payout or stake that you select for each trade. In purchasing binary options through Binary.com, you know exactly what you stand to gain or lose with any given trade, because these potential win and loss amounts are all clearly displayed for you upfront. You’ll never lose more than your stake – the amount you initially pay to purchase the trade – so as trading goes, it tends to be a relatively safer play.

WHY BINARY OPTIONS MAKE SENSE IN UNCERTAIN TIMES

Most spread bets and Forex trades have a “stop loss” – meaning that, if the market moves a certain amount of points against you, the broker has specific instructions to sell it, to limit potential loss. However, this does not always work, because execution is not guaranteed.

In 2015, we saw the devastating losses that were incurred by traders when the Swiss Central Bank removed the Euro/Swiss peg:

<http://www.reuters.com/article/us-swiss-snb-cap-idUSKBN0KO0XK20150116#X4GcdMCjxAL54quP.97>

This also caused some brokers to either take large losses, or to go out of business, one being Alpari UK:

<http://www.bbc.co.uk/news/business-30846543>

The good news: All Binary.com customers were strictly protected from such catastrophic losses, using binary trades. Even in the midst of such severe market undulations, they could never lose more than the upfront amount they paid for each trade – not a cent more.

I see binary options, CFDs, ETFs and stock purchases as different tools in a toolbox. A smart trader can use a combination of these tools to build a solid portfolio.

PLAYING AWAY FROM HOME IS A JUDICIOUS MOVE

Most traders have a “home bias” – that is, they tend to trade the shares and markets of the country in which they are personally based. So if you’re in the UK, you tend to trade the FTSE 100; if you are in Australia, you’re more likely to dabble in the ASX 20.

Whilst this may sound comfortable, the world is a big place, with virtually endless possibilities to explore. Technology makes it possible for me to sit by my pool in Mallorca (a dot of an island near Spain) and trade stocks and indices in New York, Tokyo, Hong Kong, Australia or Indonesia – depending upon the greatest sources of potential at any given time.

“We should trade where the opportunities are, rather than just get fixed into trading one market.”

Quick Quiz:

In 2015, which was the best-performing index?

- a) Nikkei 225 (Japan)
- b) Australian ASX (Australia)
- c) Ireland ISEQ (Irish)

Answer: Ireland ISEQ ... Up over 20% in 2015

CHAPTER 2: SPECIALISED STRATEGIES

THE POWER OF TRADING FALLING MARKETS

In 2015, there were many profitable opportunities with Binary.com to make money on falling markets. Many newer traders missed out on these opportunities. Trading for something to go down is still an alien concept to many new smaller traders, but I assure you, it's a very common practice with professionals; in my 30-year trading career, I have made plenty from falling markets.

One big market that made money for “short sellers” was the Crude Oil market. Binary.com offers trades on the Brent Crude Oil market, which is the popular oil contract traded in Europe.

BUT ISN'T SHORT SELLING RISKY?

If you have seen the classic movie *Trading Places* with Eddie Murphy and Dan Aykroyd, you will remember how the two main characters made money from short selling the Orange Juice market and in turn bankrupted the Dukes.

In the futures or physical stock market, short selling is risky. But by using Binary.com, you always know what your maximum loss is: The amount you initially invested in the contract to purchase the trade – never a penny more.

Example:

Let's say that you believe Oil will go down in the next 50 days, and place a trade at \$50 a barrel. During the next few weeks, Oil suddenly soars due to political issues, and it's trading at \$70, or a 40% move.

Had you been short with futures, you would lose 40%, and likely much more because of leverage. Yet with Binary.com, the worst that can ever happen is that your trade goes to zero, and you lose the amount you invested to purchase the trade – for example, \$50.

The other advantage is that you could be wrong for 45 days of the trade, but if – in the last few days – the trade then shifts your way and settles in your favour, you still win.

HOW TO PROFIT USING ONE-TOUCH TRADE

Markets tend to be like lightning; they look for the path of least resistance. When a market breaks above a resistance level (or “ceiling”), you’ll tend to find that the market will carry on in the same direction for at least a few more days. Just as a market breaks down through a Support (or “floor”), the market carries on falling until it hits the next support.

Using a One-Touch trade, traders can back these events. Remember: In placing this trade, you’re simply predicting that the market needs to touch the given level; a single point of contact during the trade period would be enough to yield the payout.

So let’s use a recent Gold example. Gold started to build up momentum, breaking over the \$1,010 per ounce level. Looking at the chart, I could see \$1,050 was the next potential target, so I placed a One-Touch bet that Gold would touch \$1,050 within the next 14 days. Gold went on to hit \$1,070 within a few days, so the bet paid out. (Of course, if Gold did not touch \$1,050 during the 14 days, then my bet would have expired worthlessly.)

If I do see the bet going against me, and time is running out, I can sell the bet back, to salvage some of the stake.

A Few Quick Tips

- *Markets have a tendency to move to round numbers, both on the upside and downside; you often see this happen in currencies, indices and individual shares. Look for possible moves to next levels, especially on falling markets; if you look at the way the Wall Street Dow Jones fell from 17,300 to 15,600 in a matter of days back in August 2015, this instance demonstrates the point.*
- *They also say “markets take the stairs up, but the elevator down” – which basically means that markets fall faster than they increase. Gains that take months to accumulate can easily vanish in a few days.*

MOMENTUM TRADING: PROFIT FROM FAST-MOVING MARKETS

Newton's first law of motion states that:

"An object at rest stays at rest, and an object in motion stays in motion, with the same speed and in the same direction, unless acted upon by an unbalanced force."

In financial markets, “momentum trading” basically means that you are following the price action, looking for markets that are moving and likely to continue in the same direction.

Binary.com offers a variety of ways to profit from momentum, ranging from trades lasting for just one minute to weeks or more.

Tips:

- *You can try out new ideas and systems by using a virtual account or testing the waters with minimum bet sizes in a real money account.* These test bets can be as low as a few USD. Sometimes an idea on paper does not work in the real world, and it's good to test it with real money and actual market prices, with just a small amount of risk on the line. Then, if you're happy with the results, you can increase to a bigger trade size.
- *Overall, if a system is not working on a small bet size, it's hardly going to start working if you risk more.* Use your head; be smart.

HOW TO WIN, EVEN IF MOST OF YOUR TRADES DO NOT MAKE MONEY!

Most new traders believe they have to be right more often than wrong when trading. But here's the surprising truth: *It's not the win-or-loss ratio that matters; it's the amount you win on a trade, compared to the amount you lose.*

I have seen systems with a 90% winning trade rate ... yet they still lose money over time. It sounds completely crazy, doesn't it? But here is why: If the system makes, say, £10 on nine trades out of ten, but the one time it loses, that loss is £100 ... then you may think you're winning, but the actual system is losing money.

Warnings:

- *Be careful of those selling systems or offering free systems on the Internet;* many times, they are just trying to get you to trade and receive commission back from the binary brokers. Their only goal is to keep you trading, and eventually, you are likely to lose your funds. Overtrading and placing a lot of trades over a short period of time is more like casino gambling than professional trading.
- *There is nothing wrong with taking a certain percentage of capital and going for some higher-risk trades period.* Many like to place bets on random markets, which are offered by Binary.com – even on weekends, when the official financial markets are closed. But these trades should only be placed with risk capital.

CHAPTER 3: SMART PRACTICES


GOOD MONEY MANAGEMENT

Regardless of how big or small your account is, you need to treat trading with Binary.com as a business. Some come into trading with a “gambling” mentality; they’ll start off with good intentions, but end up making reckless trades and then trying to play catchup, or – if they are doing really well, they’re on a roll – they’ll become reckless.

It makes sense to slow down a little. If you’re going through a bad run, then take a step back; reduce your trade size; or maybe even go back to using a virtual account for awhile.

Let’s say you start with a \$1,000 account. If you risk 5% of the account on any one trade, this would allow you to keep trading, even with a bad run. If your balance goes down, then your trade size is reduced. So let’s say you have \$900; your 5% is now \$45. If you have had a good run, and your account is \$1,200, your 5% is now \$60.

This is a very basic overview, and you can build up your own money management system, but the key is that no one trade causes you to blow up your trading account.



“The key is that no one trade causes you to blow up your trading account.”

If your account goes down 50%, how much do you need to get even? Most will say 50%, but of course, you now need that account to move 100% to get even, and – as any trader will tell you – that is a hard task.

Money Management Tips

- **Big losses are hard to recoup period.** *The maths of percentages show that as losses get larger, the return necessary to recover to breakeven point increases at a much faster rate. A loss of 10 percent necessitates an 11 percent gain to recover. Increase that loss to 25 percent, and it takes a 33 percent gain to get back to breakeven. A 50 percent loss requires a 100 percent gain to recover, and an 80 percent loss necessitates 500 percent in gains to get back to where the investment value started.*

- **Watch that ego: Don't mistake a lucky run with skill.** After a good run, many become overconfident and start taking stupid risks. After a poor run, many try to play catchup, and want to make their losses back fast. Both actions are the easiest way to lose your trading capital. Many books have been written on money management with complicated formulas. The key should be that no one trade should ever cause you so much damage financially or emotionally. However sure you are that "XYZ" is going to rocket, only a percentage of your trading bank should ever be risked.

TAKE CARE WHEN DEALING ON MOBILE DEVICES: IT'S REAL MONEY, NOT A GAME

Technology is wonderful; today, you can carry the power of a supercomputer in your pocket. It's now possible to make trades on the move from a mobile device.

But do take care. Some tend to trade very differently on mobile devices than they do when they are sitting at a big screen.

Be sure to apply the same level of strict discipline to trades purchased on mobile devices as you would on your desktop. It's all a matter of mindset. Even if you're on the go, the critical mentality that you use to gauge trading opportunities should always remain on the same solid footing.



CHAPTER 4: POWER PLAYS

A SMALL MOVE IN THE MARKET CAN GIVE YOU A BIG GAIN WITH BINARY.COM

With a spread bet or margined futures type of trade, we normally need a fairly large move to see a good potential profit on a small bet. Yet, with Binary.com, we can often obtain very good returns, even with a small move of the market.

For example, let's take a \$10 a point move in Silver, from \$15.00 to \$15.10. That would normally make you 10 points multiplied by \$10, or \$100 profit minus the spread. To hold that position, you may need a margin or deposit of \$1,000, so your return on capital is around 10%. A similar binary bet can return more than 30%; and by using a Higher or Lower bet, even if the price just moves a few cents, you can make a substantial return. A spread bet, CFD or margined type product would not even cover the costs or spread.

SEASONALITY: HISTORY DOES REPEAT ITSELF IN MANY MARKETS

My trading style uses technical analysis with seasonality. Most know what technical analysis is; however, seasonality is not as well-understood. Seasonality is using the calendar and past results to forecast the likelihood of the same instances happening again.

Examples:

- **Holidays:** Periods around market holidays such as Christmas, Thanksgiving, Independence Day and the first few days of the month tend to be stronger.
- **March:** Watch the Yen strengthen around March time, as large Japanese companies close their financial books, tending to put Yen back on their balance sheet.
- **May:** There is a well-known saying: "Sell in May, and go away." Whilst not perfect, this adage has worked as a solid base to a trading system, which I have used to make large profits.
- **September:** Gold tends to be strong in September, whereas stock markets tend to be weak.

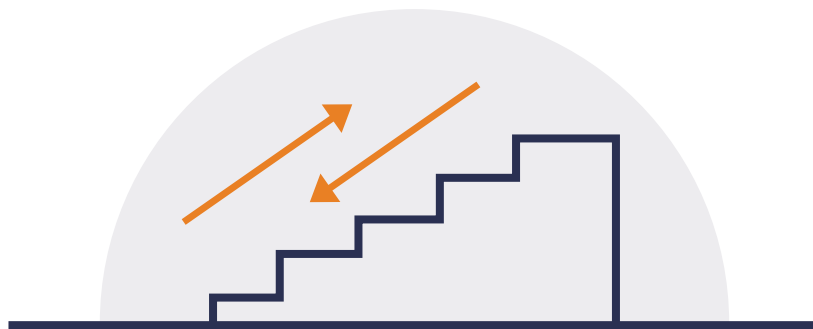
- **December / January:** The S&P 500 tends to be bullish during the last five trading days of the year, as well as the first two trading days of the New Year. This is referred to as the “Santa Rally” and is something that you can use to make money with a binary option.

A good reference tool is the Stock Trader’s Almanac, which is edited by my friend Jeff Hirsch. He also has a good blog with seasonal information, which you can visit here:

<http://jeffhirsch.tumblr.com>.

HOW TO MAKE MONEY FROM A SIDEWAYS OR DULL MARKET

Most traders are conditioned to look for moving markets or trends. Trends are when a market is moving higher or lower over time; think of it like a staircase.



- **Uptrends:** In an uptrend, the lows are getting higher, and the highs are even higher. Selloffs or pullbacks are quickly recovered, and the market goes higher.
- **Downtrends:** In a downtrend, lows are lower, and highs are also lower. Any up moves are quickly sold off, as the market is losing energy. I think of it as a boxer being knocked down, and taking longer and longer to get up each time.
- **Sideways / Dull Markets:** Markets can also be dull or range-bound. This sluggishness can last for weeks and sometimes months.

Try using No Touch trades to take advantage of Sideways / Dull Markets on Binary.com.

WHY MARKETS STAY IN A TRADING RANGE

Markets are made up of buyers and sellers. Simple economics tells us that demand and supply move prices. But what happens when buyers and sellers are fairly evenly matched or in equilibrium? This is how a “trading range” can form.

Let's say that every time Oil gets up to \$60, we have sellers come in, creating supply or resistance. But every time we get to \$40, we have buyers come up to support the market. We now have a \$20 trading range: \$40 to \$60. The market is not trending up or down, but is instead going sideways.

So how do we make money from this situation?

Binary.com offers a few ways to profit from trade ranges:

- **Rise/Fall Trades.** *If we are approaching the resistance (i.e., the high), place a “Fall” trade; in the next 7 to 14 days, we will be lower. At the support bottom, place a “Rise” trade.*
- **In/Out Trades.** *If you select “Ends Between,” you win the payout if the exit spot is strictly higher than the “Low” barrier and strictly lower than the “High” barrier.*

This is the perfect trading range tool to use. It's very complicated to structure this trade in the options market; however, Binary.com has made it really easy to execute this trade – all with strictly limited risk.



CHAPTER 5: TIMELESS WISDOM

7 TOP TIPS TO HELP YOU WIN AT BINARY TRADING

Some things simply never change. Below are seven evergreen tips to follow in trading binary options through Binary.com.

1. START SMALL, AND BUILD UP.

I have been in the trading business for over 30 years, and yes, I currently trade and invest with a multi-million dollar account – but I didn't start that way. I started small and built it up. Understand the power of compounding; it's critical to realise how money makes money.

Below is an excerpt from one of my favourite fables, which sums this up. The same principle can be used when trading with Binary.com.

Excerpt from A Grain of Rice, by Helena Pittman:

The daughter of the Chinese Emperor was ill, and he promised riches beyond compare to whoever could cure her.

A young peasant named Pong Lo entered the palace. With his wit and bravery, he restored the Princess' health and won her heart. As a reward, Pong Lo asked for her hand in marriage. The emperor refused and asked Pong Lo to think of anything else he would like.

After several moments of thought, Pong Lo said, 'I would like a grain of rice.'

'A grain of rice! That is nonsense! Ask me for fine silks, the grandest room in the palace, a stable full of wild stallions – they shall be yours!' exclaimed the emperor.

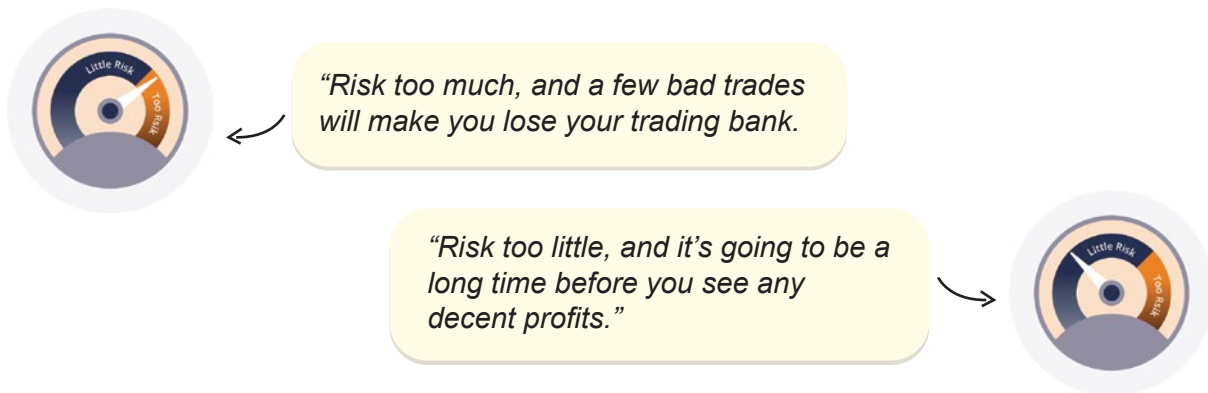
'A grain of rice will do,' said Pong Lo, 'but if his majesty insists, he may double the amount every day for a hundred days.'

So on the first day, a grain of rice was delivered to Pong Lo. On the second, two grains of rice were delivered; on the third day, four grains; and on the fourth day, eight grains. On the fifth day, 16 grains; on the sixth day, 32 grains; on the seventh day, 64 grains; on the eighth day, 128 grains.

By the twelfth day, the grains of rice numbered 2,048. By the twentieth day, 524,288 grains were delivered; and by the thirtieth day, 536,870,912, requiring 40 servants to carry them to Pong Lo.

In desperation, the emperor did the only honourable thing he could do, and consented to the marriage. Out of consideration for the emperor's feelings, no rice was served at the wedding banquet.

2. MONEY MANAGEMENT KEEPS YOU IN BUSINESS



As previously explained, money management does not have to be very complicated, but a simple system will ensure that no one trade causes you to wipe out your trading account. The mistake many new traders make is trying to grow their account too fast.

3. DON'T LET YOUR EMOTIONS OVERCOME YOUR TRADING SYSTEM.

Trading with a virtual account and trading with real money are not the same. As in most walks of life, when real money is at stake, circumstances become instantly emotional. Sadly, you will never eliminate emotions as a factor that impacts trading; after all, we are humans, with this irrational feature hard-wired into our circuitry. But by using a system and steadily applying practical experience, you will learn to cut your emotions down to a bare minimum.

Be careful about taking in too much news and over-monitoring your position. It is easy to overreact to a news story that may cause a short-term spike, but is actually not that important in the long run.

Using mobile devices and apps can cause you to make snap decisions that you may later regret; the same sound judgment should be used with all trade purchase decisions, no matter how or where they're ultimately executed.

4. YOU CAN MAKE MONEY IN ALL MARKET CONDITIONS.

Many still believe that – in order to make money – the price of a share, market, currency or commodity must go up. However, this is not true, as I have outlined. With Binary.com, you can profit from up, down and even sideways movements, so don't see falling markets as a negative.

5. WHEN IN DOUBT, SIT IT OUT.

If you watch financial news channels such as CNBC or Bloomberg, it seems that you should always be doing something, since the channels are filled with "breaking news." Remember: These channels have to fill their airtime, and – in many cases – the best trade is in fact "no trade." If you are not sure, or do not see an opportunity you are happy with, then do nothing, and just wait for the next one.

6. THE HIGHER THE RETURNS, THE LOWER THE CHANCE OF A PAYOUT.

Binary.com offer a vast selection of trading opportunities – ranging from low-risk trades with returns in the 5% to 10% range, to those with higher returns of 100% or more.

Binary.com prices trades based on mathematical probabilities. Of course, unexpected events do happen, but overall, if you are being offered returns of more than 100% for a trade lasting seven days or less – as just an example – the reason for such generous returns is that the likelihood of a payout is fairly slim.

Keep in mind it's readily possible to “mix and match” your trades on Binary.com. Try purchasing some higher-risk, higher-return trades, as well as some lower-risk trades with a higher chance of payout.

You may have heard of the Pareto Principle (https://en.wikipedia.org/wiki/Pareto_principle), also known as the 80/20 rule. This can be applied to your trading, by purchasing 80% of your trades with lower risk, and 20% higher.

7. TREAT TRADING AS A BUSINESS, NOT AS A TRIP TO THE CASINO OR RACETRACK.

Regardless of how big or small your account is, you need to treat trading with Binary.com as a business. Some come into trading with a “gambling” mentality. They start off with the best of intentions, but end up making reckless trades and then are forced to play catchup. Or, if they are doing really well, they assume they're on a roll and become too brazen.

Keep solid records of your winning and losing trades; a diary can help with this, to complement the tracking tools you'll find on Binary.com, enabling you to keep tabs on your winnings. Stick to a trading system, to help minimise emotional decision-making.

CONCLUSION

I hope you found this short guide of use, and that you will refer back to it in due course. We are always learning in the trading business, so continue to study and expand your skills.

Regardless of market conditions, you have great opportunities to profit. Using Binary.com allows you to trade a great selection of markets, all with strictly limited risk.

Wishing you lots of success.



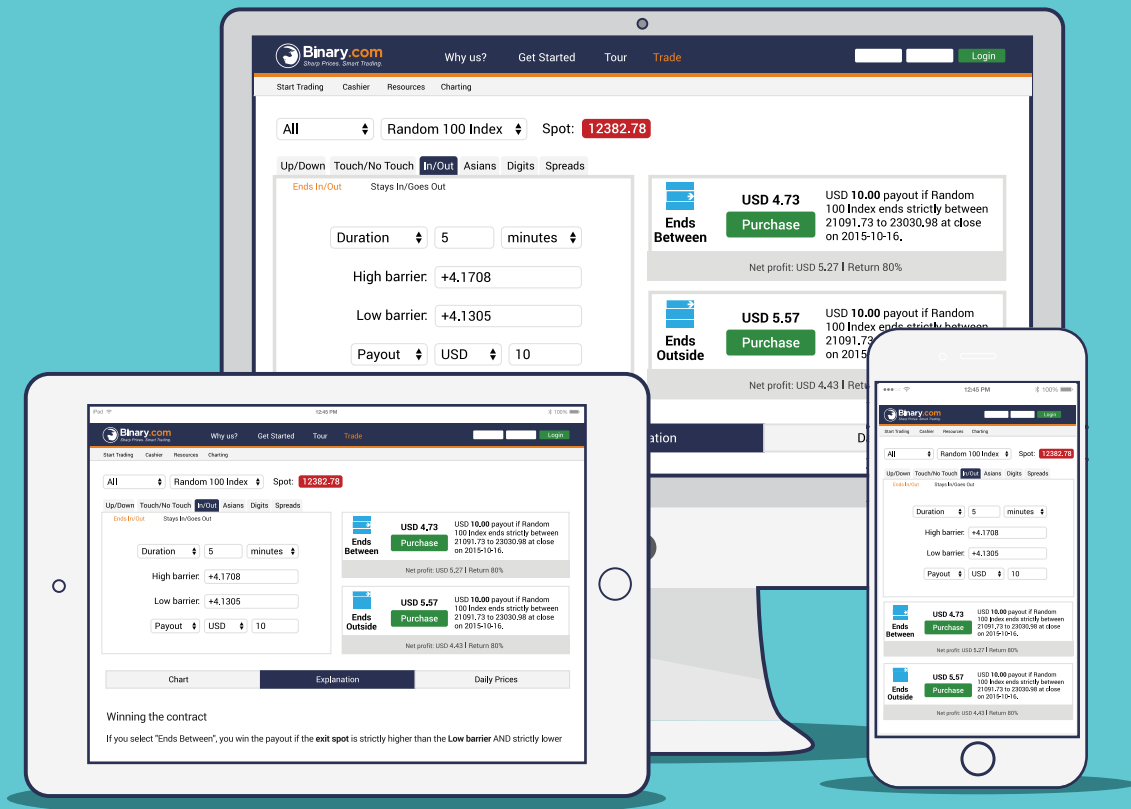
About Vince Stanzione

Vince Stanzione has been trading markets for over 30 years and is a self-made multi-millionaire. He is The New York Times best-selling author of The Millionaire and is the author of "Making Money from Financial Trading."

He mainly lives in Mallorca, Spain, and trades financial markets including currencies, stocks and commodities.

For more information, visit www.fintrader.net.

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