Introduction to trading financial accumulator options with Deriv

By Vince Stanzione

A new financial option exclusively on Deriv that allows you to trade with a fixed risk while benefiting from potential exponential compounded gains over a short duration

Disclaimer

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The information presented is intended for retail and professional clients.

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[1] Deriv Academy is unavailable for clients residing in the EU.
[2] These statistics are specific to Deriv Investments (Europe) Limited.

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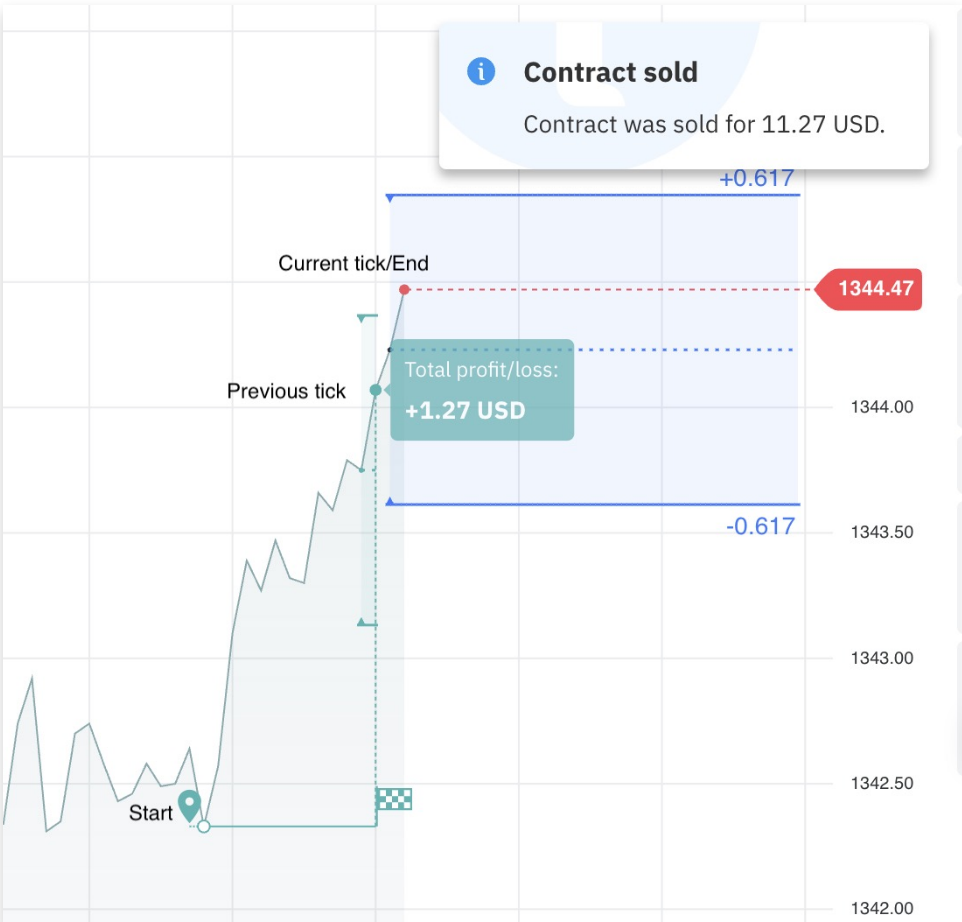
Introduction

With accumulator options, your payout will grow exponentially as long as the current spot price stays within a set range from the previous spot price. You'll need to close the trade before it hits the upper or lower barrier of this range to secure your payout.



A successful accumulator option trade on Deriv Trader

With an accumulator option, your risk is known ahead of time; the maximum risk is your initial stake or premium, for example, $5. There is no margin or maintenance requirements. The upside or profit on an accumulator is not fixed and can grow exponentially as long as the upper or lower barrier range is not touched.

The maximum profit is currently capped at 230 ticks when the growth rate is set to 5% — hit that, and your accumulator option will automatically expire, adding any profits to your account. There's also a $10,000 cap on the potential payout from a single trade. If your earnings hit that ceiling, your trade will close automatically, and the earnings will go straight to your account.

Accumulator options
give you the chance to potentially profit from a market by predicting if the current market spot price will stay within a set range.

Accumulator options are currently offered on derived indices, with plans to expand to other markets in due course. Currently, you can trade the popular Deriv volatility indices, which vary from the less volatile 10 Index to the very volatile 100 Index. Derived indices trade 24/7/365 with constant volatility. This makes them perfect for traders worldwide, allowing you to trade whenever it's convenient for you, without the need to wait for the usual market hours.

Choose your growth rate

In addition to selecting the underlying index to decide the level of volatility you wish to trade, you can also set your growth rate at 1%, 2%, 3%, 4%, or 5%. This choice is made when you open your contract, and it's fixed — meaning you can't change it during an ongoing trade.

Risk & reward

If you want to go for a higher growth rate, remember that it leads to a narrower range. Simply put, with a higher growth rate, the likelihood of your option expiring with no value goes up. However, the flip side is that your potential profits are also higher. It's the classic trading dilemma: balancing risk and reward. For traders who prefer less risk and want to reduce the chances of their accumulator option expiring worthless, going for a lower growth rate is the way to go.

Growth rates: Two examples

5% growth rate

After the entry spot tick, your stake will grow continuously by 5% for each tick, provided that the spot price remains within ± 0.0049358253% of the previous spot price.

Keep in mind that with a 5% growth rate, the range is quite narrow.

1% growth rate

After the entry spot tick, your stake will grow continuously by 1% for each tick, provided that the spot price remains within ± 0.0064867741% of the previous spot price.

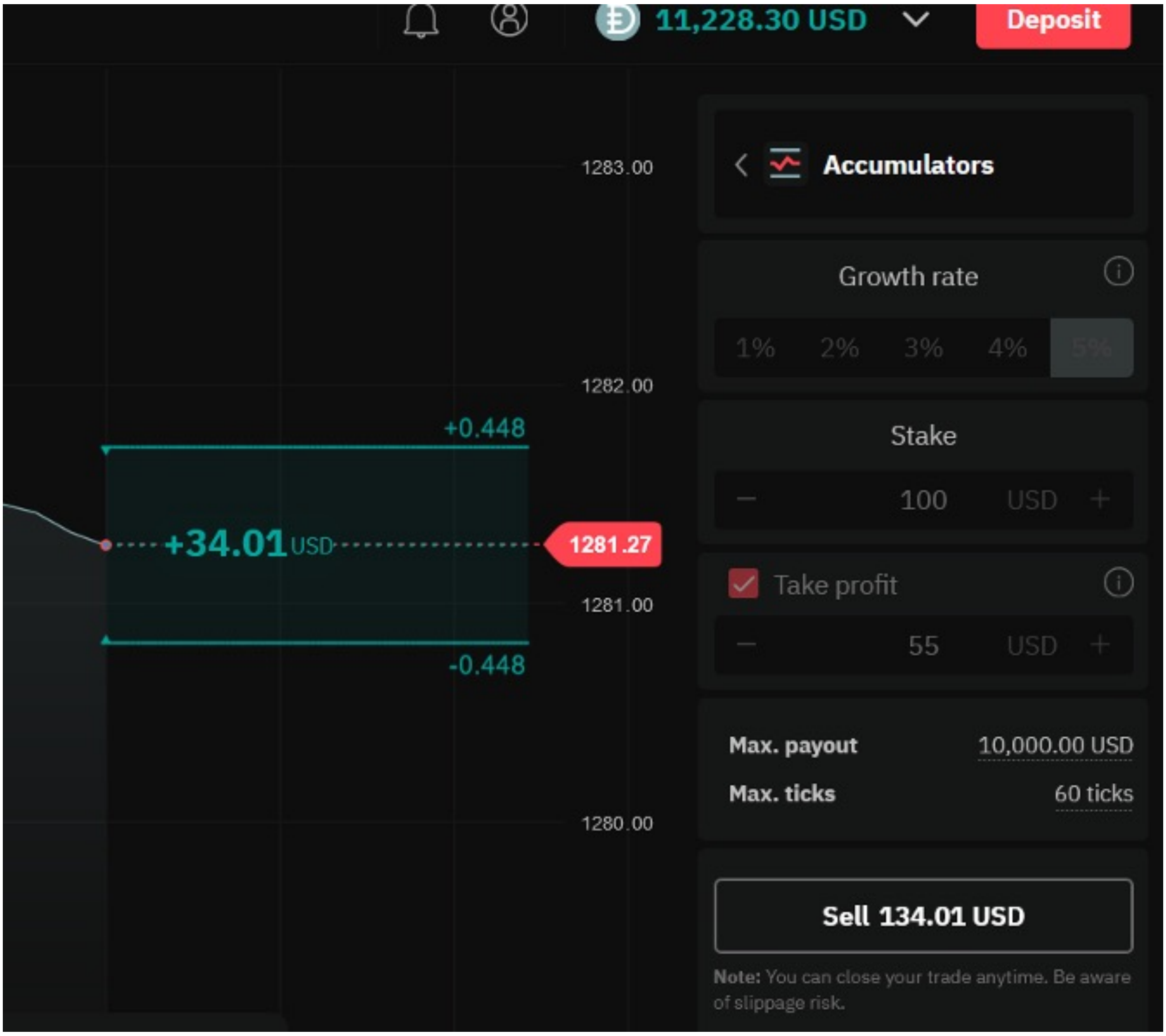
As you can see, the 1% growth has a wider trading range, which means a lower risk of a knockout.

You can also select other growth rates between 1% and 5% for a more balanced risk-reward ratio, depending on your personal risk tolerance as a trader.

To study this subject in more details, visit Deriv Academy.

Manual profit taking

You can close an accumulator option at any point after the first tick by clicking the SELL button. This action credits your stake and profits to your account, eliminating further exposure. However, if the upper or lower barrier is breached before you close the trade, the option will expire at zero.



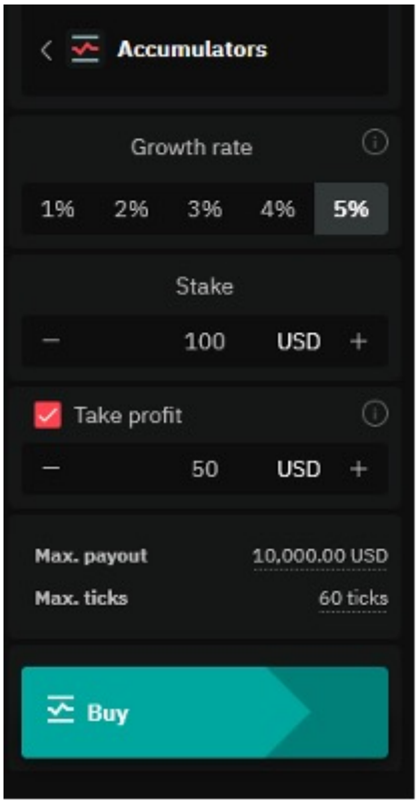
Clicking the Sell button will close the trade

In this case, if you press SELL, you'll receive $134.01 — $100 as your returned stake and $34.01 as profit. Also, keep in mind the slippage risk, which refers to the possibility that the price might slightly change in either direction by the time your trade closes.

Automatic profit taking

Besides manually closing a position to take profits, you can use the take profit feature. This allows you to set a level to close a trade automatically. For instance, you might set $50 as your take profit level. The trade automatically closes when the option reaches this level, crediting your account with the gains and stake.

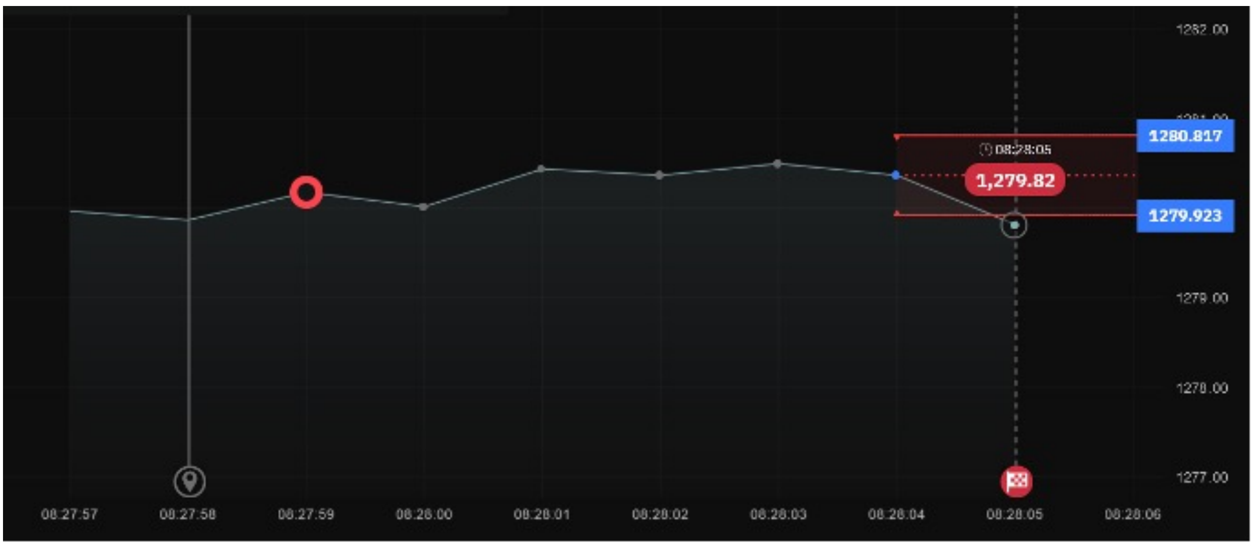
On the right, you see an example with a 5% growth rate, a $100 stake, and a $50 take profit. You can't alter the take profit level once the trade starts. However, you can still sell the trade before it hits that level. For example, if the trade reaches a $25 profit and you choose to take profits, you can do so by pressing the sell button.



Take profit is set to $50.

Expiration of an option

If you don't close an accumulator option before the upper or lower barrier level is breached, it will automatically close. Any unrealised accumulated gains will be lost along with your stake. You won't have any exposure until you initiate a new trade. The example below demonstrates a losing accumulator trade where the market spot price fell below the lower barrier price.



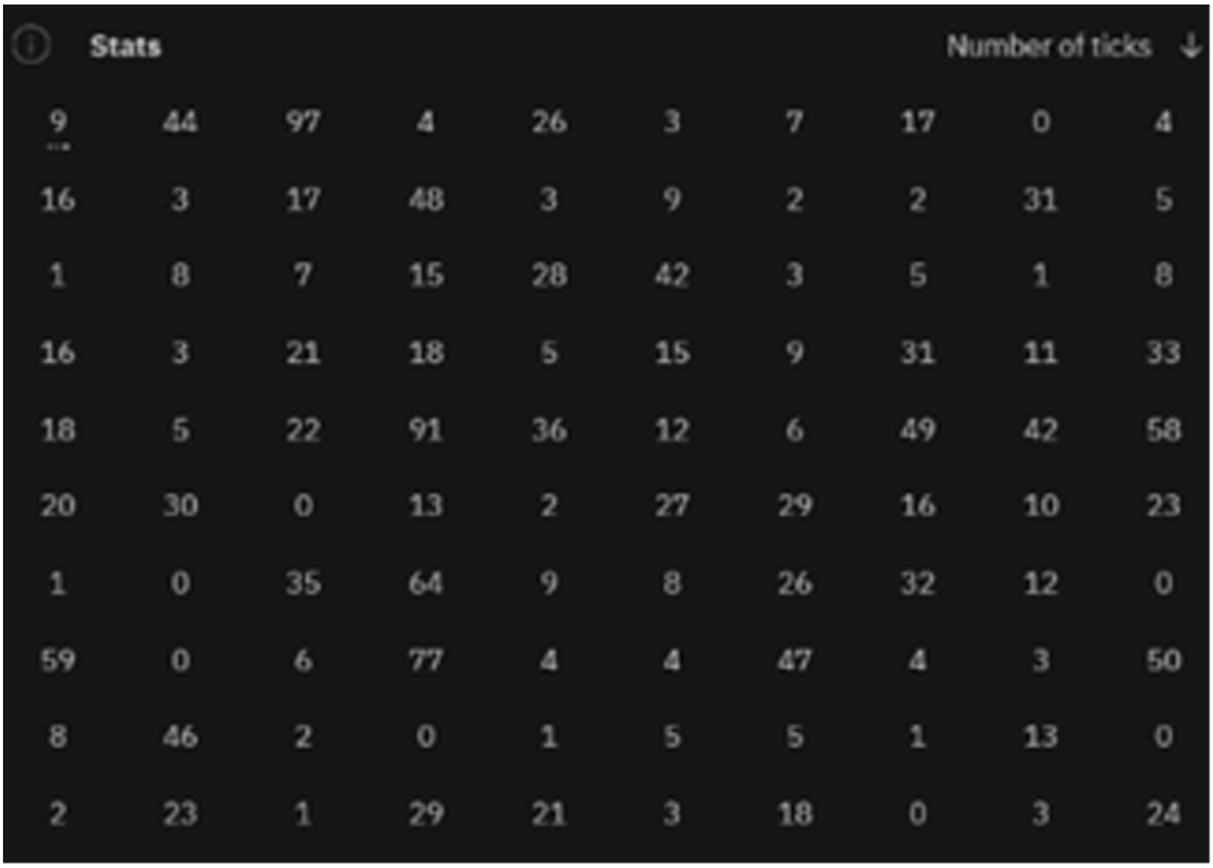
Lower barrier is breached, so the option closes at zero.

Short-term options

An accumulator option is short-dated by nature, lasting from 45 to 230 ticks. This means potential losses or profits are realised quickly. For those seeking longer-term trading opportunities, consider exploring other options on the deriv.com platform.

Statistics

To view the results of the previous 100 trades, select ‘Stats’ and expand the view. ‘Stats’ displays the history of consecutive tick counts, showing how long the price stayed within range. You can also see the number of ticks that the current option (open trade) has accumulated so far, indicated as the first number in the top left-hand column (‘9’ in this example). The three dots below provide additional information. A summary of the last 10 trades is also presented in the chart at the bottom.


Stats Number of ticks

9	44	97	4	26	3	7	17	0	4
16	3	17	48	3	9	2	2	31	5
1	8	7	15	28	42	3	5	1	8
16	3	21	18	5	15	9	31	11	33
18	5	22	91	36	12	6	49	42	58
20	30	0	13	2	27	29	16	10	23
1	0	35	64	9	8	26	32	12	0
59	0	6	77	4	4	47	4	3	50
8	46	2	0	1	5	5	1	13	0
2	23	1	29	21	3	18	0	3	24

Statistical overview of historical accumulator option trades

Technical analysis and charting

Traders interested in analysing patterns may choose to copy this data into a spreadsheet. You can also download the underlying index data (such as Volatility 100 Index) in CSV format.

Since these are short-term options, the default chart is a tick chart, also known as a line chart. You can enhance this chart with popular technical analysis tools, including Moving Averages, Bollinger Bands, and MACD.

A chart enhanced with Bollinger Bands and MACD

Full fair transparency

As with all products offered by Deriv, all accumulator options are fully audited and transparent. Each trade, no matter its size, is assigned a unique reference ID number when opened and closed. This ensures that every trade can be verified in case of any disputes or queries.

Strategies on accumulator options

While every trader should develop their own trading strategy, here are some key factors to consider:

Money management

With an accumulator option, you're aware of your maximum risk from the start, but it's still important to manage your money wisely. Suppose your total risk limit is $500. You might choose to risk 3% per trade, which equals $15 per trade, allowing for 33 trades. Naturally, you can adjust this percentage lower or higher depending on your risk tolerance.

Taking profit

Given that accumulator options are fast-moving, a lower-risk strategy is to take profits after just a few ticks, for example, 3 ticks. While this results in smaller gains, it reduces the likelihood of the option expiring at zero.

Alternatively, some traders opt for the opposite strategy, taking profits at 20 ticks or more. This approach might lead to more trades expiring at zero, but the successful trades will yield larger returns.

Keeping emotions in check

Regardless of which market you are trading, it's important to keep emotions under control. Many traders set daily limits. For example, if they make a certain amount, they stop trading for the day. Similarly, setting a daily loss limit is sensible. On a day when trading isn't going well, it's better to take a break instead of trying to recover losses by taking on more risk. Additionally, continue using a demo account. This allows you to test new trading strategies while taking a break from real trading.

To study this subject in more details, visit Deriv Academy.

Summary and next steps

Before investing real money, it's a good idea to familiarise yourself with the product using a demo account, which you can access for free at deriv.com. Here, you can experiment with accumulator options under real market conditions and prices without any financial risk.

Once you're comfortable with how it works, you can progress to a funded account and start trading accumulator options with as little as $5.

Wishing you success in trading,
Vince Stanzione

Frequently asked questions

Q: Which markets can you trade accumulator options on?
A: Accumulator options are currently available on volatility indices under derived indices. Additional markets will be introduced over time.

Q: Can you open multiple accumulator options at the same time?
A: You can open only one contract per instrument at a time. However, you can have multiple accumulator options open on different instruments. For instance, you could have one trade each on Volatility 10, 75, and 100 Indices, but not three concurrent trades on the same instrument.

Q: Can Deriv manipulate an accumulator option?
A: Absolutely not. Deriv has been in business for over 25 years and is renowned for fairness and ethical practices. With thousands of clients trading at any given time, Deriv's trading platforms are fully automated, preventing any alteration of terms or prices to manipulate individual trades. Every trade, regardless of its size, is audited and assigned a unique ID number, which can be referenced in case of a dispute or issue.

Q: Is there any difference between a Deriv demo account and a Deriv real account, besides the fact that a demo account is funded with virtual funds and a real account is funded with real money?
A: No, there is no other difference. Both accounts operate on the same platform, with identical pricing and terms. Therefore, if your trading system isn't performing well on a demo account, it's likely to show similar results on a real account, and the opposite is also true.

Q: Can I use Deriv Bot to automate accumulator options?
A: Currently, Deriv Bot is not available for accumulator options. You need to be place trades manually. However, you can use the take profit feature.

Q: Can I close an accumulator option at any time?
A: Yes, you can close your accumulator contract at any point when you're satisfied with the payout amount. However, it's important to note that if the current spot price touches or breaches the limits of the predefined range, your contract will automatically close, resulting in the loss of your accumulated payout.

Q: Can I open an accumulator option at any time?
A: Yes, you can open an accumulator option anytime the underlying market is open. For derived indices, this means 24/7 availability. However, there may be occasions when accumulator options are temporarily unavailable if Deriv's internal aggregate stake limits for a particular combination have been reached.
In these instances, you have the option to choose a different instrument or the same instrument with a different growth rate. Once someone trading the same combination closes their position, these limits reset, enabling you to open new contracts as normal.

Q: Is the payout from accumulator options correlated with the direction of the underlying index?
A: No, there is no correlation between them. The increase in payout depends solely on the underlying index's price moving tick by tick, while staying within a predetermined range. This range is determined by the chosen growth rate and symbol. The general trend of the index, whether it's moving upwards, downwards, or sideways, doesn't impact the payout. The only situation where it affects the outcome is if the price touches or breaches the set range limits, which then results in a loss.

Deriv is one of the world's largest online brokers. We offer CFDs and other derivatives on forex, stocks & indices, cryptocurrencies, commodities, and derived indices to millions of registered users across the globe.

From inception, our goal was to break free of the high commissions and clunky products offered by traditional brokers. Also, we aim to deliver a first-class experience to digitally inclined traders, regardless of the size of their accounts.

In a journey spanning 25 years, we have grown to over 2.5 million customers worldwide. But our mission has remained the same:

Make trading accessible to anyone, anywhere.