

Strategy 1

how can you make money in a market that is going down today i want to show you two strategies on how to do this the first strategy

is shorting a stock so what does this mean

and how does it work well it means that you can sell a stock right now even if you don't own it and then buy it back

later at a cheaper price so let me explain to you

exactly how this works on the one side here we have your broker this is your broker

don't make fun of my drawing here then right here

we have you who wants to participate and make money in a falling market so and then we have some some other traders here

now here's what i want to use i want to use apple

as an example and uh we want to say you know what we believe that apple actually from right now it is at a 119.52

we believe that apple actually might go down again

to 110 and now i want to show you how you can make money betting

against apple betting on a falling market here so here's how it works now

you want to

sell apple but you don't have it just yet

so what you would do is you borrow shares

from your broker so your broker is actually

lending you 100 shares of apple

let's just say we want to use 100 shares now

the price at this point doesn't matter

he's just giving you the shares and says

okay you need to give me back these shares later on and he is actually reserving some money from your trading account to make sure that you really give it back to him now you have 100 shares and you can do with these 100 shares pretty much whatever you want so in this example you would sell them to trader one so you sell apple 100 shares of them at the current price of 119 so because you believe that apple will go down so how exactly do you make money well this is where we bring in trader 2. and let's say after a few days apple in fact is dropping down to 110 and here's what happens now now you are buying back apple at 110 so how much money do you make if you sold apple for 119 and you are now buying it back you're making nine dollars per share and you have traded 100 shares so this means that you're making 900 now you have the shares back and now of course you have to give them back to the broker see because the broker lend you the shares you could borrow it from the broker so you have to give it back to him 100 shares of apple and the broker is releasing the money that he held kind of in escrow if you want to make sure that you are getting the money back is this making sense now the beautiful thing is this is all going on in the background so if you have a trading platform i want to show you right now how this looks on a trading platform so i'm going to bring up my trading platform here and uh let's just say that right now i wanted

to trade
apple and i want to just sell
100 shares of apple so all i do here is
you see it says already short
minus 100 and i would sell them at the
current price of
thirty 119.35 so i click review and send
and you see that right now the broker
is requesting or almost six thousand
dollars from me and
these six thousand dollars is basically
the money that he's holding in escrow to
say all right marcus
you have to give me back the shares and
it is that easy and now as you can see
if you click on send order
i would sell the shares now this year
what you're seeing is a live account so
i'm not doing it right now because i'm
actually bullish on apple but i
just wanted to use this as an example
because many of you
know apple as a stock anyhow this is the
first way because i told you that i give
you two strategies
of how to benefit from a falling market
so this was
strategy number one shorting a
stock now let's move on to strategy
Strategy2
number two you would buy a
put option put means that you have the
right
to sell a stock at the
strike price my handwriting is atrocious
i know but you get the idea here right
so again example right now we want to
bet on a falling market for
apple and we already know that's what we
just said that
apple right now is trading at around
119 and we believe that apple
will go down to 110 now let me show you
exactly
how this would work and we're jumping
back to my trading platform here

so this is where we are looking at an apple put
let's say here apple put off 119
and you can see it is trading at around a dollar
eighty so here is what exactly we would do we would buy a put for 1.80 now this put gives us the right to sell apple for 119
now if apple really goes all the way down to 100 see same deal here we actually would make nine dollars per stock however we have to deduct the premium that we paid for the option which is 1.80 so this means here we are making 7.20 per share and again if we would trade one option one option controls 100 shares this means that we are making 720
now the main difference between these two strategies is that for this for strategy number two buying a put you need much less money remember when i went to my trading platform earlier and wanted to sell apple 100 shares that my broker was reserving around six thousand dollars in my account now take a look at this
if i want to buy this option so i want to buy this option and i'm clicking on review and send it would only cost me a hundred and eighty dollars
so as you can see huge difference in the one case the broker is reserving six thousand dollars right and you can possibly make as you can see here nine hundred dollars
for strategy two buying a put your broker is only requesting 180 and that is also the maximum amount that you can lose

and you can make possibly and twenty dollars here
so this is how you can make money in a falling market now very important
strategy number one where you're just shorting the stock and where the broker is lending you the stock you cannot do that in a retirement account but strategy number two
which we have right here buying a put this is
what you can do in a retirement account and you can do this for any stock now you might actually be bullish on apple and i am bullish on apple right now but if you look at some other stocks right now that are in a downtrend for example zoom if you say
oh my gosh zoom is crazy during the pandemic here
it went from what fifty dollars to five hundred dollars and you think this is absolute overvalued and i believe that
zoom will go down to three hundred dollars you can use
this strategy or one of these strategies for zoom or for example for pelleting if you think that
pelletin right now is overrated or maybe uh you're bearish on etsy so you see that all these stocks that during the pandemic benefited a lot that they might actually move lower this is how you can make money in a folly market
so
now you know two strategies how to make money in the falling market how to bet on a stock
that is going down let me ask you this was this helpful at all because
if it was and you enjoyed this video do me a favor and click on like because this way more people will see it and if you enjoyed this video and want to see

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