OPTIONS TRADING STRATEGIES

13 PROVEN STRATEGIES FOR ADVANCED AND BEGINNERS TO BECOME A SUCCESSFUL TRADER.
LEARN THE SECRETS OF THE MARKET AND THE BEST PRACTICES TO INVEST IN OPTIONS

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CHAPTER 1

INTRODUCTION: WHAT IS OPTIONS TRADING?

I will start by saying options trading is options trading! Options are contracts that give buyers the right, but not the obligation, to buy or sell an asset at a specific price before a particular date. It may sound like vague proposals, but option contracts are regulated and binding agreements with strict conditions.

Under the contract, the buyer has the opportunity to buy or sell the asset. The buyer does not buy the asset. The buyer has a chance to purchase an asset called the underlying asset from the perspective of the institution. The seller cannot hold the asset. If the buyer exercises the option, the seller is obliged to sell the underlying asset at the agreed price.

The two classes of options trading are “Puts” and “Calls.” If the buyer exercises the “Put” option, the buyer has the right, but not the obligation, to sell to the seller with an underlying asset at an agreed price, known as the “exercise price.”

If the buyer exercises the “call” option, the buyer has the right to purchase a specified amount of the underlying asset, regardless of the current market price, at the agreed price before the contract expires. Under the option contract, the seller is required to sell the underlying asset at the contract price and cannot claim a market price.

Options trading has many benefits – the most notable is the leverage effect. The buyer can buy the base if the price of the underlying asset is high at the agreed price instead of the market price and sell the base of the market price for profit. Another advantage is protection. The buyer is protected when the cost of the original asset is low, and the buyer loses a certain amount of the unique asset at a fixed price. By exercising the “put” option, the buyer can sell the original asset to the seller. Therefore, options trading has built-in insurance against unstable market movements.

Options trading also carries risks, and it is not for everyone. Options traders risk losing their entire investment in a short time. Options, unlike assets, can lose value as they approach maturity. In some cases, the risks associated with options trading are the result of restrictions imposed by national rules.

There are many misconceptions about options trading. Options trading is known to be high-risk trading. However, it has built-in safeguards and possesses the lowest risk factor among trading methods. Options trading is a form of trading that offers less risk and built-in capital protection. Options trading helps to maintain the value of the underlying assets and prevents wastage of the underlying assets. However, it is worth noting that options trading is not a secure form of trading. It requires careful market research and demands calculated risks. Therefore, options trading is not for the uninformed investors.

When an investor learns to use options trading through trial and error, a good profit can be derived through it.

If you know what you are doing in an unstable economy, business opportunities can be a great way to make money for a small investor. Options trading is purchased without any obligation to act. However, it is essential to realize that options present a particular risk and that there is a binding contract with possible options trading.

Options are, in principle, contracts that give the buyer the right to buy or sell fixed value shares or other securities within a specified period. In the United States, an option is usually equal to 100 underlying shares. We recommend that if you are new to exploring possibilities, you should follow several options before continuing with this type of trading. You can learn methods such as covered call trading used by professional traders to manage their risks and protect their profits.

There Are a few Things to Keep in Mind when Buying Options:

- It is important to take action on the purchased accessories. For example, if you buy options and choose not to do anything with them, they will be useless on the expiration date (from 30 days to several years). At that time, you would lose 100% of your investment in the option.
- Options are stock or index contracts. In most cases, the plaintiff relies on the options, depending on the base value of the options - not on the assets - until the buyer decides to trade based on the options purchased.

- By studying specific stock(s) that you think will take advantage of one of the options, it can help you to lose and avoid the "worthless" options once it expires.

Trading options can carry many risks when purchased on their own, but if you are well acquainted, you can take advanced steps to make the use of options less risky and beneficial than simple stock purchases. If an investor makes the effort to learn about these advanced methods, it can go a long way in generating consistent income and minimizing risk.

For many people who know stock trading, it may be true that they would like to answer the question, what is options trading? The simplest explanation is that traded options mean your "rights" to the stock market. It means that a person has the right to sell or buy a particular share after a specific time and price range. The call option is what they decide when buying securities; when selling securities, it is called a put option. In some cases, other retailers use both settings that apply to the same stock which follows a specific date and price value. It is what they commonly call “dual option transactions”.

Would you like to learn more about options trading? Probably the hardest part is understanding various concepts. When you have the opportunity to understand the jargon that they use for different companies, it will be easy to make decisions. It makes it easier to think about the value of the stock when movements are expected. You prefer to decide which business opportunities to use if your knowledge of this company is sufficient. A good example is when the value of a stock increases, the best decision is to consider calling. The advantage is that you can buy shares for a lower cost and later sell them for a higher value.

However, this idea works when the value of shares rises, and if not, it can be difficult to market the stocks because they become useless. When you opt for a put option transaction, you will only buy shares when their valid values fall. It is actually against the possibility of calling. For each of these two options, you have the choice or right to pay a premium to the seller. It is a situation where precise trading systems are used.

What most experts trade is choosing the percentage you pay. You will lose if the trading market goes against your plans. Options trading becomes advantageous in this situation because you have limitations, even if you lose money. Therefore, many traders consider options trading, because if you are afraid to invest more money in your business, you should take the opportunity to consider investing a minimum amount. It merely means experimenting as soon as you want to take advantage of options trading and learn the exact strategies. If you are sure that you will continue with your plans, it is essential to make a careful decision to avoid putting pressure on yourself. Currently, some online business software are available that can help you achieve your goals.

How Does it Work?

For example, an investment company could buy a large number of shares in a particular company from its clients. If the market falls for any reason, it will affect the company's share prices, even if the company is fundamentally healthy. Most investors will try to sell the shares as soon as possible but often will not find a buyer to arrest the situation. However, if an investment firm buys a "put" contract for the shares it owns, it provides a solid guarantee that they can sell the shares at a specific fixed price, even if the shares are traded later.

The company buys some short-term insurance to ensure that its investments are protected to a certain level. In this way, it protects its customers from significant losses and protects its reputation.

On the other hand, a large company like Sony says it intends to produce a new widget shortly. As a result, expectations may provoke great interest in stocks and stock prices. In this case, the investment company may want to buy large shares for its clients, but at the best possible price. So, before the madness begins, the company can buy the right to purchase shares at a fixed price in the future (this is called a "Call Option"). It is then a guaranteed price that he can pass on to his customers.

If shares have risen during this period, clients will naturally benefit from the investment company's foresight and will make an immediate profit. On the other hand, if the price is lower, the company will allow it to disappear and buy shares at a lower price. Either way, it ends up being the best possible deal for its customers, and of course, its reputation is protected.

Individual investors may exercise options in the same way as larger investment companies, albeit in much smaller quantities. In some ways, this is not very different from taking out a mortgage after buying a home. You spend a small amount of your own money combined with money from the bank (which you have never actually received or touched) to control the ownership of the property, which is much more expensive than you can afford. If the housing market grows, you will benefit from growth and gain optimal profit, even if your financial commitment is relatively small. It is the principle of leverage. You can take the opportunity to control the ownership of large blocks of shares that you never have to own, and you can also protect shares that you already own from large market fluctuations.

The real beauty of options trading is flexibility. Instead of buying "insurance" of your shares in the event of market fluctuations, you can sell options and become a form of insurance for the seller. You can also do this by combining different options contracts to protect yourself as well. These types of strategies (with crazy names like "credit spreads," "iron margin," and "butterfly spreads") are just variations on the theme, which aim to gain value and minimize risk.

What You Need to Know Before Engaging in Options Trading

A common question on Google is "What is options trading?" As the topic has taken on a profile in recent years, and stock market fluctuations have severely damaged pension plans, investors are beginning to consider alternative strategies that are used to grow their portfolios. Options trading is a broad field that includes many strategies with all risk profiles, so a severe trader should take the opportunity seriously. Unfortunately, the first statement most investors hear is that "options trading is a major risk." Is it true? Here are some things you need to know before you get involved.

Options trading is less risky than stock trading. Just look: the buy and hold business strategy is dead, or it should be! Too many people have abolished their pension systems due to stock market failures in 2009 and 2010. Many will take years to recover. Isn't that a risky strategy? Options trading is mostly short-term and benefits from upward and downward trends. Several strategies offer a much lower risk profile than buy and hold, and at a conservative level, the pattern can still grow by 5% per share.

Options trading is risky. The main problem with options trading is not the inherent risk in strategy, but the greed of investors. It is often associated with "get rich" programs. To be successful, you need to have a clear business plan for the strategy you are using and follow business rules no matter what. Because some (not all) strategies carry the risk of 100% loss on a particular trade, the rules must be much stricter than in stock trading - the field leaves little room for careless mistakes!

Do you need knowledge of cutting-edge analytical techniques? No, not as much as stock trading. When trading stocks, you should be familiar with both technical and straightforward methods of analysis. You choose a suitable company based on the essential elements, and you select a transaction based on technical indicators (of which there are many!). Options trading is much more straightforward: each strategy has its own limited set of technical indicators. For example, if you start selling a credit spread, all you need to know is how to identify a trend using three symbols. Also, it demands understanding how to choose support and a level of resilience. However, you don't need to know about P/E or Elliot waves, Fibonacci, or anything!

Even if you follow some higher-risk strategies (which you only need to do after a few years of experience), you should be familiar with a broader range of technical analysis techniques. Still, you can start with opportunities using a more straightforward approach.

Need a big bet? Again, it depends on the strategy you are using. It is possible to expand the portfolio by 10% per share. It might be a month strategy with less than two hours of work per week. But if it's your day-to-day trading style and you have the knowledge and determination to follow more complex technical indicators, options trading will take you and your time!

Options trading requires a relatively active commitment to your profile, but the results are stable and reliable growth in all types of markets. The big mistake new traders make is to start trading options as if they were day-trading stocks and get involved in buying calls and puts. It is probably the riskiest strategy! If you are just beginning, choose a simple procedure with lower risk and, over time, expand your knowledge and experience (as you grow your portfolio!). You should also put your strategy on paper before you begin so you can develop a rigorous business plan. Take a look at the different trading strategies available and how to understand them to find the best way to get started.

Is it possible to play?

We've seen it many times, haven't we?

Ads that make thousands of percent profit in a few days and millionaires in a few weeks, all from options trading! Such advertisements usually attract hordes of hungry debtors in debt who need a "big profit" to recover their debt or loss elsewhere for their unusually expensive seminars.

95% of those who attended these seminars and paid for them and traded options lost all their money. 3% make some money in the first trades and then forget it. 1% wants to make some sustainable money, and last luck, 1% earns 1,000% a month in the first month, only to lose everything over the next month. Anyone who has been in this situation usually thinks that options trading is nothing more than a bet on an instrument that has no value to itself.

Nevertheless, many professional traders and fund managers make excellent and stable profits from options trading! These professionals don't make 1000% profit a month and never will, but they still earn a living from month to month, year after year (including me)! What makes options trading a real investment and trading activity for these professionals and a pure gamble for those who have lost all their money in options trading seminars?

The difference is in ATTITUDE. Attitude governs decisions and actions. Anyone who trades in options with a "quick get rich" mindset, will quickly find themselves "poorer-faster" simply because these players, who hope to make "big" in their next trade, reject entirely any idea of management strategy.

These sorts of trader ultimately ruled out intelligent analysis in favor of a 50/50 "bet" and does not make sense for cash positions that either make it big or become completely worthless!

The actual possibility of professional trading uses a reasonable cash management strategy at every trading opportunity, weighed against the possible risk of poor results. It means that a real options trader will never add all his money to a prominent position with cash! A real options trader uses trading analysis techniques based on proven methods. Thus, the performance of the odds is in their favor and never considers trading to be a 50/50 bet. An actual option trader calculates the number of possibilities needed for each trade, so its portfolio is never very targeted. The real options trader does not anticipate that it will increase in its next trade and will not focus on a sizeable domestic run, but on a series of small profits that eventually add up. The real possibility of professional trading will never allow a loss to destroy its portfolio, because it treats the market with respect, knowing that no matter how much analysis is done, there is always a chance that the market will work against it.

In short, a real options trader (and a winner of options trading who stays in the game for years) is different from a player (who rarely survives for more than a month), especially when it comes to mental approach! A wrong spiritual path turns options trading from a sensible and sophisticated financial instrument to a lottery.

Currency Options Trading is a Sure Way to Make Money

Before you start trading currency, you need to understand what currency trading means. Currency trading can be quite complex and very simple when using the right strategy. In the end, it depends on how you look at it.

The experience of currency trading can bring you some success, but if you are a beginner, you can always use a few tips to secure your options. Even if a strategy is considered a winning strategy, you still have to pursue your imagination and be smart enough to use that strategy to succeed in currency trading.

You need to act quickly and still have enough flexibility to take advantage of the opportunities you face when trading currency.

An exchange opportunity will arise on the stock exchange where such a currency is marketed, and different sizes of contracts are offered.

The exchange office operates 24 hours a day. Thus, your location on any continent, whether in the northern or southern hemisphere, changes nothing. The time zone does not affect the risks you take when trading currencies.

However, time is crucial when trading currencies. You must set the money within a time limit that may be beneficial to you. If you do, you can use the profit potential. While the proceeds may not be immediate, the work you create may be to your advantage.

Most currency traders will look for the cheapest route in less time, but this is not the way to success. Your profit expectations need to be more realistic. This way, you have a better chance of success, although the potential profit may be smaller.

The International Stock Exchange (ISE) is one of the currency options trading markets and has the most exceptional opportunities to give you the best price when trading with currency. If you trade your money in this strong market, which is ISE, your monetary institution will always move forward.

Speculation is never a good thing when trading currency options. If you do, many others will join you to make this mistake. Kept plays only a minimal role. Choose a thoughtful strategy if you want to taste trading currency success.

You have a better chance of success and win luck in currency options trading if you don't see too many profits.

The chances of profit in the foreign exchange market are very high. Sell your options with a short delivery time to increase your chances of success. You need a significant amount to sell currency options. If you sell them for a long time, you reduce your risks and make a lot of money through currency trading.

If you work through brokers, they will probably advise you to trade with more extended options that make more money.

Never look for easy money because there is no such thing. Understand how currency options trade works and ensure success by adhering to more extended currency options that are part of higher-yield markets.

Options Trading - Pros and Cons

Like every business out there, options trading has its benefits and lapses. Understanding the two sides of the trading will help you determine whether options trading is an ideal business concept for you or not. The pros and cons are as follows:

Advantages of Options Trading

Flexibility: The options can be used in a variety of strategies, from conservative to high risk, and can be tailored to expectations than “stocks will rise” or “stocks will fall.”

Leverage effect: The investor can use the shares without executing the transaction.

Limited risk: The risk is limited to a premium option (except for writing options on a security that is not yet owned).

Securing: Options allow investors to protect their positions from price movements unless it is desirable to change the underlying situation.

Disadvantages of Options Trading

Costs: The cost of trading options (including both commissions and bid/margin applications) is significantly higher in percentage than the price of the underlying shares, and these costs can drastically swallow profits.

Liquidity: With a wide range of different strike prices, some will have very low cash, making trading difficult.

Complexity: The options are very complex and require a lot of observation and maintenance.

Time Fall: The time-sensitive nature of voters means that most options are worthless. It only applies to traders who buy options - those who sell receive a premium, but with:

Unlimited risk: Some option positions, such as writing uncovered options, pose an incalculable risk.

Parental options provide an excellent opportunity to create plans that can take advantage of volatility in the underlying markets and pricing advice. However, for most traders, the disadvantages are considerable, and online futures trading is usually a better choice.

Volatility of Options Trading

Trading is a hazardous business. People tell you this fact all the time, whether you want to hear it or not. But most importantly, options trading is the most stressful thing you can go through! The fact is that most "beginning" investors lose money from the beginning; it has nothing to do with choosing the right stocks. (Most experts also can't always get the proper stock!) The truth is that most new traders are bursting under pressure, and this bursting will make newcomer mistakes cost much money.

Are You One of Them?

Let's take a look at this simple quiz and see if you are one of the types of people I just mentioned. Have you ever traded your stock options after stocks fluctuated slightly? Have you panicked and suddenly executed the instructions to stop the loss you had before such a crisis? Then it happens that you see stocks that you thought hit the bottom of the rock, so the climb reappeared because it was supposed to be a few days later, and you're out without showing anything while other people reap the rewards of diligence.

No one will deny that options trading is relatively volatile, and although it is sometimes compared to going through a minefield, the result can be very beneficial. It is also common for you to suffer a little loss in the first few days of your trading because the market is exactly as it is and your lack of rhythm and flow. The investor often dreams of big profits and does not realize the other side of the equation that significant losses can also occur, which is again what makes options trading so unstable.

Simple tip: look at the promotional price and not the value of your account! You are shocked by monitoring the status of your statement because your stock usually scares you and makes mistakes in newbies. These mistakes can often cause you to lose money when you should get money.

So, the question is: how do you avoid pressing the panic button too fast? Look at the stock price ratio and not what's going on in your account. If you are reading this book and get rid of the feeling that options trading is not that complicated, I have done my job, and you will not be amazed by the many trends that come and go, grow and fall. So, stay there and don't lose hope for the profits that you want to make in the future.

Trade Volatility and Opportunities

Most people associate volatility with their high school football coach. Others will find something to avoid. And several - especially options and commodity traders - see volatility as an opportunity. Volatility is the target of variance around the average price. If the stock has low volatility, the price range is limited.

On the other hand, stocks with a broad range of price movements are considered volatile. Most investors want the value of their investments to increase over time. However, traders wish to the price to move quickly and with a variation. If a trader can predict the right direction of movement in a given time frame, he can make many trades with small profits that increase over time. Traders want to move, and they want it now! To do this, they need vehicles with volatility, and billing can certainly add options.

Types of Volatility

There are two types of volatility: Implicit and Historical.

Implied volatility is what the market expects from price movements. If the expected volatility is high, the market expects price movements to be choppy. Of course, low implied volatility indicates smoother price movements in a limited price range. The implied volatility is in the same as the value of the option. However, implied volatility may vary for different positions in the equal share. As stock volatility increases, the market usually focuses on stocks, and something unusual happens. If the population breaks out and is not accompanied by volatility, it is unlikely that the outbreak will continue.

If volatility increases with other technical indicators, the infestation may be significant.

Historical volatility measures changes in market stock prices and translates them into a statistical measure of variance. We are not concerned with mathematics, but the result is given as an annual percentage. This percentage gives an idea of how far the share price can differ from the average price. For example, if a stock has an average price of $40 with 50% volatility, it means that the cost can range from $20 to $60.

The option price is affected by several components: the exercise price, maturity dates, the current share price, the dividend paid (within the option period), interest rates, and the implied volatility. Each stock has many options, and each will be different, mainly due to the expected volatility. In general, options money (OTMs) have higher implied volatility due to greater risk than through money options. Besides, calls over the same period generally do not have the same implied volatility. An excellent choice for a trading strategy with volatility. Covered call writing is when the underlying shareholder sells (writes in) a cash call.

This is a popular strategy and is considered conservative options trading. According to Ravi Kant Jain, in his book "Putting volatility to work," a trader should start with a slightly bullish share. If a trader opts for very optimistic shares, he may appear to be shooting on his own, as the trader loses the potential benefits of having the stock effortlessly by canceling it if no option is exercised.

Historical volatility is another thing to consider. If historical volatility is high, it turns out that stocks move a lot. This means that the shares have a good chance to move during the exercise price and above. Jain recommends that the best candidate is the stock with the enormous difference between the expected (option premium) and historical volatility.

Option Volatility Trading uses the idea of volatility because it is used in the stock market. For some time, this type of trading has focused mainly on the distance that stock prices travel. There are times when short-term volatility is low. This happens when stock prices remain in almost the same range for a long time.

On the contrary, there are situations where stock prices fluctuate rapidly in different price ranges. Asking for stock prices Historical volatility is the most crucial step. This can be achieved by gaining realized volatility in the value of the financial instrument at a particular point in time and valuing it at average stock prices. The more significant the difference between the two, the higher the chance.

Optional volatility trading allows you to remember whether the option contract offered to you is too low or too expensive. To do this, you need to look at the implied volatility (IV) of the value of the option stock. It is best avoid analyzing and determining that the price of an option in a contract is high and too expensive. You should be careful about options trading strategies, such as spreads with "sell to open" positions. On the other hand, it is an excellent opportunity to invest when you notice that the option contract is too low or lower than the standard price. The deal has low implied volatility.

In the case of options trading volatility, both implied volatility and historical volatility must be recognized. Historical volatility is the normal movement of a stock's value over a period previously defined. For example, you analyze money (ATM), money (ATM), and money (ITM) for individual stocks. You have noticed that the prices of ATM options are higher than the costs of ATMs. What do you think is a better alternative? In this case, it is better to buy than to take the Bull Call Spread or open the ATM settings.

CHAPTER 2

STARTING OP TIONS TRADING AS A BEGINNER

When trading options for beginners, we deal with the basics, the foundation of a learning stock trading. With the right knowledge, you can make a huge profit with stock options. For beginners in options trading, it can be difficult to tell the exact difference between stock market trading and stock option trading.

Due to the deadlines set for each trade, many beginners of options trading have a common misconception that stock options carry high risks. The period is often perceived as a loss of assets. Options trading has proven to be advantageous because traders approach it with a plan and knowledge of effective leverage techniques. Options are usually selected for a level of leverage with limited risk.

Just as successful entrepreneurs must create a business plan, beginners in options trading should have a plan when joining a trading company. Exploring a topic is always a good idea; you can create a strategy around the knowledge gained by merely searching the internet! Coaching programs are also a great way to find free seminars or websites that allow guests free online courses.

Through these programs, called "Webinars," you can find free websites and many online forums to help beginners in options trading build a basic set of skills and find the opportunities you have available for further education, all within a monetary commitment.

As a beginner in options trading, your top priority when setting up a plan is to ask yourself what you hope to gain from trading options. Where is your risk tolerance? What does your portfolio look like? How big do you want to start with a collection? As a newbie, you can't expect the worst too soon. It's not about getting rich quick; trading takes time, patience, and a lot of perseverance if you hope to see a profit. You may have to go through various strategies and suffer some losses before you find a strategy that suits you, but you can minimize losses with the right set of skills.

When I started, I traded in stock options with virtually no knowledge, so I can help beginners avoid the same mistakes I made. In the beginning, I had very unrealistic expectations. I had experience in the stock market, but when I switched to stock options, I had four reasons:

1.) Options can be bought and sold for a fraction of the base price of the shares.

2.) Without ownership of the underlying shares, you can still manage them using the share option.

3.) You can always use this option no matter how the stocks move.

4.) You can manage risks by securing a trading position.

I've had some grim experience, but perhaps I can help you understand why many beginners fail in the end. The biggest mistake I made when I first started was not properly researching coaching programs. I wanted to become an expert quickly, so I enrolled in a program that far exceeded my abilities. In the end, I had to learn again, because these were not options for beginners.

The basics are essential for a better understanding; I can't stress this enough; the key is to become a successful trader. Option trading always carries risk like any other investment, but based on the basics, you can minimize your risk and find success!

Options are treated as derivatives because these financial transactions are based on the value of assets or underlying securities. Unlike stocks, options expire on specific dates and do not have a fixed number specified for availability. Most people may not understand how options work, but some have used them in their business. For you to have read to this page, I believe that you have understood the put and call options from the very beginning. Hence, I won’t bore you with the definitions of the terms or how options trading works anymore. Instead, let’s move to more important topics: How to learn trading options and common mistakes to avoid as a beginner. Read on.

Top 10 Ways for Beginners to Learn Trading Options

Options trading is a high-risk trade simply because it is highly speculative. Defining options as complicated and challenging to analyze effects will not be completely wrong. Therefore, it is essential to understand the consequences of trading, especially if you are a beginner. And for all the advanced traders who have spent years trading options, there is only one sentence - Play it safe!

Here are the top 10 ways a beginner can quickly learn about trading and become an experienced player for a long time:

1. When using any automated trading, make sure you understand the trading interface in detail. If you are unsure of the right trading locations, you should learn about the interface. This will help you speed up options trading.

2. Do not call the broker, as it could prove harmful because, on a busy trading day, the broker can hardly listen to the type of order you want to place there. Either way, the broker is least interested in your options.

3. Find an experienced trading expert who can help you with trading risks. This way, you are not only safe, but you also have the confidence to order.

4. If you place an order in a store using the online method, it is recommended that you review the request at least twice and then press the Submit button. It is generally assumed that if beginners accidentally give incorrect commands, most will cause losses.

5. Familiarize yourself with entering advanced commands as conditional commands. Also, keep in mind the loss on your back, as this will help the investor to order absolutely without risk.

6. There is a lot of current trading news that is continually flashing. But don't forget to focus on moving graphs rather than reports.

7. You must strictly adhere to the accepted and standardized options trading methodology.

8. Use option strategies to help you understand the risk strategies involved. Remember one thing: if you earn a lot, you also have significant risks.

9. Because you are a beginner in options trading, you should be fully aware of automated technical analysis. And you need to know very well from the beginning that all trading is short-term, and if you understand technical analysis well, you can know optimized access points and get a good return.

10. If you have doubts about trading, stay out instead of ordering this transaction. This is a game-safe strategy that every beginner should follow religiously.

Common Mistakes and How to Avoid Them

1. **Ignoring or not understanding the parameters of implied volatility versus historical volatility can lead to big losses:** Implied volatility is used by options traders to gauge whether an option is expensive or cheap. The future volatility (likely trading range) is shown by using the data points.

A high implied volatility normally signifies a bearish market. When there is fear in the marketplace, perceived risks sometimes drive prices higher. This correlates with an expensive option. A low implied volatility often correlates with a bullish market.

Historical volatility, which can be plotted on a chart, should also be studied closely so as to make a comparison to the current implied volatility measures being calculated.

2. **Ignoring the odds and probabilities associated with options trading can be a recipe for loss:** The market will not always perform according to the trends displayed by the history of the underlying stock. A belief that leveraging capital, by buying cheap options, helps alleviate a loss due to an expected major move by a stock, can certainly be overrated by traders not adhering to the rules of odds and probabilities. Such an approach, in the end, could cause a major loss.

Odds are simply describing the likelihood that an event will or will not occur. Whereas, probability is a ratio based on the likelihood that an event or an outcome will, or will not, occur.

Investors should remember that cheap options are often cheap for a reason. The option is priced according to the statistical expectation of its underlying stock's potential. Therefore trading outside this option strike price, which is based around a time frame, requires cautious consideration.

3. **Neglecting a cheap option's delta by ignoring its intrinsic value at expiration time is not a smart move:** A delta refers to the ratio comparing the change in the price of the underlying asset to the corresponding change in the price of a derivative. If the delta is close to 1.00, a call option would be appropriate. If the delta is closer to negative 1.00, then a put option is the play. It is more opportunistic to select higher-delta options as they are more in line with (have similar behavior with) the underlying stock. This, in turn, means that there is a possibility of quicker gain in value as the stock starts to move.

4**. Not selecting appropriate time frames or expiration dates can be a problem:** An option with a longer time frame will cost more than one with a shorter time frame – due to the fact that there is more time available allowing for the stock to move in the anticipated direction. The lure of a cheap front-month contract can, at times, be irresistible, but at the same time, it can be disastrous if the movement of the shares does not accommodate the expectation for the option purchased. Another consideration is that it is also difficult for some options traders to psychologically handle the stock movement over a longer period of time – as a stock movement will go through a series of ups and downs, consolidation periods, etc. – causing the value of the option to change accordingly.

5. **Sentiment analysis (another overlooked area) helps determine if the current trend of a stock will continue:** Observing short interest, analyst ratings and put activity is a definite step in the right direction in being able to better judge a future stock movement.

6. **Relying on guesswork in regard to a stock movement can be a mistake:** Whether the stock goes up, down or sideways, when purchasing options, ignoring the underlying stock analysis and the technical indicators is a big error of judgment. Easy profits have usually been accounted for by the market; therefore, it is necessary to use technical indicators and analyze the underlying stock, so the timing of the options trade is appropriate to the situation.

7. **Another area often overlooked is the extrinsic value and intrinsic value of an option**: Extrinsic value, rather than intrinsic value, is the true determinant of the cost of an options contract. As the expiration of the option approaches, the extrinsic value will diminish and eventually reach zero.

8. **Commissions can get out-of-hand:** Brokers are keen to have clients who wish to buy cheap options – the more cheap options that are bought, the more commission the broker will make.

9. **Not using protective stop losses can be detrimental to capital preservation:** Many traders of cheap options forego this facility and instead prefer to hold the option until it either comes to fruition or let it go until it reaches zero. Usually, this type of pattern relates to laziness or an acute fear of risk – and with this mindset, the trader really should not be trading options at all, let alone cheap options.

Traders that take this approach are the ones that avoid proactive trading, and instead, allow the market to consistently make their decisions for them by taking them out of the trade at the time of expiration. This pattern of behavior frequently leads to a downward spiral of increasing losses, which the trader may seek to ignore by dodging phone calls and discarding unread statements. All of this clearly equates to a highly detrimental perspective on trading options.

10. **Sound strategy is often overlooked by novice options traders:** New options traders tend to start trading on the wrong side of the spectrum, due to the lack of knowledge and insight, as they aim for pie-in-the-sky profits without a good comprehension of the realities of trading.

11. **Succumbing to the lure of cheap out-of-the-money options is really easy to do:** However, what seems cheap isn't always a great deal. While buying out of the money options can be a profitable strategy, the probability of making money should be evaluated against other strategies, such as simply buying the underlying stock, or buying in the money or closer to the money options.

Both novice and experienced options traders can make costly mistakes when trading in cheap options. Do not assume that cheap options offer the same value as undervalued or low priced options. Of all options, cheap options can have the greatest risk of a 100 percent loss as the cheaper the option, the lower the likelihood is that it will reach expiration in the money. Before taking risks on cheap options, do your research and avoid overpaying where you shouldn't be. To get a head start, take a look at Investopedia's list of the best options brokers so you can have more confidence investing your money.

Can you Lose all Your Money When Trading Options?

One of the most significant and most discussed risks of options trading is the fact that you can quickly lose all your money when trading options. Many people also lose all their money when trading the stock market, so what's so bad about losing all your money when trading options? The fact is that traders lose all their money in stock trading only if the shares they buy go bankrupt, which has very little chance of occurring. While the possibility of losing all your money in stock trading is extremely high and within One can happen in a short time frame.

Does this mean that options trading is risky and should never be implemented, as so many people have suggested in investment forums?

First, let's look at the options that have allowed you to lose all your money in the first place and secondly in the short term.

Options are derivatives that derive their value from the price of the underlying asset. When it expires, it has no intrinsic value. The call option, which gives you the right to purchase a $10 share, is only valid if the underlying shares are higher than $10. If the underlying stock is less than $10, you can buy the stock for less than what the open market call allow s you, and therefore the call option has no value. If this situation occurs at the end of the validity period, this option will be "Expired without money," and all the money you used to purchase these options will remain. This is one of the most common ways beginners can lose all their money when trading options; By buying options with all their money, it is as if they are buying shares.

Secondly, options have specific expiration dates. Unlike stocks, you can't hold a position in loss options forever. The options have a particular date of expiration. And if you buy options with too few expiration days and no additional time to move as forecast, you will lose all your money very quickly, even if the stock shares eventually move as expected. Many beginners buy options with very short a validity period, because the more months that pass, the more expensive the options. Many beginners, therefore, make the mistake of buying options that go very fast and then quickly lose all their money.

Options trading can be risky, and you can lose all your money in options trading very quickly if you buy options with all your money with a few more days to maturity. When buying options, make sure you only purchase options with money that you can afford to lose (maybe 2% or 5% of your total fund size) and make sure you buy with enough time to expire (maybe three months). By following these two simple rules, you can avoid a situation where you lose all your money very quickly when trading options.

CHAPTER 3

TECHNICAL AND PSYCHOLOGICAL CHALLENGES OF OPTIONS TRADING WITH SOLUTIONS

These mistakes were responsible for most of the initial losses I see when dealing with newbies. If you understand them, you can certainly avoid these mistakes and prevent the initial frustration of losing money.

Error 1: Choosing the wrong setting (usually no money)

Many novice options prefer to buy "cheap" out of cash options. The reason is that people buy expensive when cheaper options would also have an advantage if stocks rose (for call options). This single decision resulted in a large part of the initial loss, as stocks increased negligibly, and the position remained loss-making. Money is only useful if you expect stocks to move powerfully in that direction. If you expect relatively small movements, you have to buy cash. Buying money options is also the reason why many beginners lose all their money at once. This happens when the options they bought never got the money to end.

Error 2: Create complex positions, such as the first few options of trading options

Many options for beginners start with creating sophisticated positioning strategies, such as iron condor spreads or butt erfly spreads, as their first few options. Then they go utterly wrong because they didn't know how to hold a position, and some don't even know how to set areas correctly. If you're new to trading options, stick to a few simple calls or puts on topics with small amounts (or money you can afford to lose) to get an idea of how it works first before moving on to more sophisticated strategies. Complex strategies are only useful if your trading experience is as extensive as it is.

Error 3: Purchasing options that don't fit your expected trading horizon

Most newbies that start trading have no idea what the expected trading horizon is and often find that the choices they buy expire before the underlying shares make the expected move. If you expect stock performance in the medium to long term, buy options that are half a year to a year off. If you do not know how the shares should behave, give yourself enough time to buy options that expire at least three months.

Error 4: Delivery of incorrect orders

Under pressure, especially when it comes to real money, beginners tend to make human mistakes, such as clicking the wrong button, buying the wrong option, buying the wrong expiration date, or placing the wrong stop order - a loss that position sold immediately. Such social event failures can only be mitigated by a more extended period of virtual trading practices on the institutional platform of your choice. And then gradually practice spending very little money to get used to the feeling of trading for real money. Unfortunately, we are all human beings, while experienced traders tend to make such mistakes less, sometimes they still do. However, it is more common in ordinary trades and certainly damages trading confidence. Before opting for real money, always have a few months of virtual trading practice on the chosen platform.

Error 5: Trading in borrowed money (or money you can't afford to lose)

It says, "you can't afford to win if you can't afford to lose." This is exceptional in trading, not only in options trading but in any form of trading. If you are dealing with spending money that you cannot afford to lose, mental pressure will reduce your chances of winning if your chances as a beginner are already meager. That's why we always advise people to trade only with money that they can afford to lose.

Error 6: Unaccompanied trading

Do you want to learn to drive a car without being accompanied? Why would you learn to trade without being guided? Yes, a mentor or teacher is essential for beginners, not because they can give you "tips," but because they can shed light on your situation and reveal weaknesses you may not have noticed. Starting unaccompanied trading usually repeats errors over and over, and if you've traded options before, you know that clearing your account doesn't require many of these errors.

So, here are the first six mistakes a beginner makes when trading stock options. Be aware of these common mistakes and avoid unnecessary

Why Most People Fail in Options Trading

Have you or your friends ever attended a seminar to find out how "easy" it is to make a high income from options trading, but when you did, you couldn't make money all the time?

In fact, from my observations in this industry over the last decade, I have noticed that the chances of success for traders with options for beginners are minimal. In options trading like everything else in life, only a tiny percentage of people consistently make money from options trading.

This also applies to beginners who have taken the same electives. Yes, even with participants in the same course, some will get excellent profits from options trading, while most will not. What happened?

I investigated the causes of options trading failure and narrowed them down to two leading causes; 1. Lack of a proven and systematic approach that beginners in finance and economics can follow and address. 2. Lack of robust business thinking.

Let's face it; most beginning options traders are not professionals. Most of them do not even have a background in finance or economics and do not understand why things like the stock market or economics are happening. For these beginners, l earning to pick stocks and analyze transactions can be a disastrous attempt due to their lack of complete knowledge. This is where many beginners fail. Trading discretion in a stock selection based on many theories that may not work together or, in the first place, a clean gut feeling is a disaster even for professionals.

For beginners to be consistent in options trading, a robust and objective trading system and framework must be put in place that covers all the angles. So, all they have to do is follow the rules and make minimal subjective decisions or analyzes.

Such a framework should include an objective method of identifying potential trading opportunities and an accurate way of identifying suitable trading opportunities to optimize the risk/reward of the trade. An actual process of deciding whether to make a record and making an objective profit and stop the policy. Without an accurate and proven system and framework, no unprofessional options trading can give beginners a consistent return.

Having such a "beginner" trading system is the key to success in options trading. What determines real long-term success is the business thinking of the traders themselves. What is the point of a trading system if a trader cannot follow the rules? Options are available for beginners who have suffered such losses in the past that they are usually driven by fear and emotion to the point that they are unable to follow the rules at all. When the method they follow requires them to enter the record, when recording, a voice in their head prevents them from buying and tells them that the stock may drop. Then they'll see the stock go up until it's too late to get in.

There is an individual psychological profile followed by successful option traders, which include the ability to listen and follow the rules of the chosen trading system and methodology, no matter how their feelings increase. They also need the ability to free themselves from the money they trade, just as they let a doctor cry for a patient. A strong business mentality does not come automatically. It's something that can be trained. Traders with great opportunities care about how they live their lives in general and focus on reducing stress and getting enough rest in the way their daily routine runs. Conversely, some traders have gone through so much pain in the stock market that they usually cannot control their emotions and act in a disciplined manner. Yes, unfortunately, some people just have to avoid trading options.

It's a business mindset that most beginners don't have. Only, in my opinion, 1 in 10 people do what is needed to do in options that deal with psychology. The rest are afraid; fear of losing money, fear of their overall financial situation. It is this fear that destroys transactions and brings them deeper into their relationship.

Any Solutions to the Psychological Problems of Options Trading?

The only way most novice traders can be successful is to complete an extensive paper mentoring program for a significant period. Paper trading helps build trust if the trading system is excellent and convinces the trader that the system is continually making better decisions than possible. Only when such a belief is built can a voter dealer find the impression that he is following his rules according to the letter. Such a training period can last from 6 months to a year. Unfortunately, most of the optional courses are now long at the weekend. Real money evokes feelings that destroy transactions if confidence in the trading system is not developed during the paper trading period.

Options trading is like driving an F1 car. It is not an abbreviation. Competences and skills must be built up during extensive training, without which no secret recipe can work.

CHAPTER 4

OPTIONS TRADING SYSTEM, MARKET CONCEPTS AND BASIC OPTIONS STRATEGIES

Before I sat down to write this book, I thought of searching the internet to see the available information about options trading systems. I was shocked to find that almost nothing had been published on the subject. Seriously! There are hundreds of websites, brokers, and trading services that want to sell their system. The reality is that few can describe what the options trading system is.

The options trading system is essentially a method of generating buy and sell signals using a proven method of stock analysis. The system can be based on any option strategy and includes both fundamental analysis and technical analysis. Option systems may focus on changes in the base share price, volatility, time lags, unusual buying/selling activities, or a combination of these elements. In essence, it is a checklist of criteria that must be met before transactions can begin. When all conditions are met, a buy or sell signal is generated. The requirements are different for each type of options trading strategy. Whether it's lengthy calls, covered calls, operator leaks, or the sale of free index options, everyone has their trading system model.

An options trading system will help you smooth out false signals and increase your confidence in posts and exits.

How important is the options trading system?

The options market is very complicated. Trading without a system is like building a house without a plan. Volatility, time, and stock movements can affect your profitability. You need to be aware of each of these variables. It's easy to be affected by emotions when the market moves. Having a system helps control your response to very natural and healthy emotions. How many times have you watched a transaction lose money when completing an order? Or have you ever seen a price in stock considering whether to buy it? Having a structured plan is crucial for making reliable and objective trading decisions. By creating and following a sound system, you can improve your business performance so that it is as insensitive and automatic as a computer.

Advantages of The Options Trading System

Gearing - trading options give your account an impact on the stock market. Options allow you to manage hundreds or thousands of stocks for a fraction of the price of the stock itself. A change in the amount of five to ten percent per share can equal a profit of one hundred percent or more in an option. Try to focus on the percentage of earnings versus dollars in your account. It requires a fundamental shift in conventional thinking, but it is essential to manage a successful trading system.

Objectivity - A trading system with excellent capabilities is based on measurable criteria that trigger buy and sell signals. It requires subjectivity and second guesswork from your trade to focus on the pre-set factors that create explosive trading.

Flexibility - Almost all the option traders say that options allow flexibility in their business. Thanks to market opportunities, using short-term positions is incredibly easy. Profitable events and weekly options will enable you to develop strategies for night profits with clearly defined risk. There are several ways to take advantage of all types of market conditions from trend to scale.

Protection - A trading system with options based on the right strategy for prevailing market conditions can serve as hedging against other investments. Protective puts are often used in this way.

Risk - A sound options trading system reduces the risk in two main ways. The first way is cost. The price of options is meager compared to buying the same number of shares. The second way is related to stops. A sound system will reduce losses quickly and keep them small.

Any Options Trader Can Develop an Options System

As a trader, it is vital to build a system that uses different types of strategy variants: iron condors, broken wing butterflies, calendar spreads, back conditions, pistons, calves, and collars. Now it may sound like a foreign language but work with one lesson at the same time as vocabulary. Divide it one by one and create your own. Each term has a separate application for profit under certain market conditions. Learn them all at your own pace to improve and develop a system of possibilities.

The more tools you have, the better prepared you are for changing market conditions. If the market behaved the same way every day, trading would be child's play. To start developing an options trading system, you need to prepare a trading plan or a plan that will guide you in the right direction. Start with a basic system and refine it to define trading criteria and focus on your system. Building a successful trading system with opportunities that can yield one hundred percent or more in sustained-for-profit businesses requires time and experience. Once you are satisfied with your system's parameters, you can check if your software is designed for automatic trading.

Five steps to get started with the stock trading system

Choose a strategy - You can choose any strategy to start building the system. The easiest way is to start shopping for calls and puts. Once you learn and experience how prices are moving, you can add new strategies to improve your system. Adding covered calls and protection options to long stock market positions is a natural next step and can increase your account by generating monthly or weekly cash flows.

Trade - Once you have defined the basics of your strategy, it is time to act. Run a small, one or two contracts and keep detailed records of your transactions. Be sure to state the stock's base price at the time of buying or selling the option. With your data, you can analyze how you are doing and where you can improve. When you add new trading criteria to the system, you should see an improvement in your statistics. If you don't, it's time to rethink your defined criteria.

Evaluate - Evaluate your successes and failures. The frequency of your analysis depends on how much you trade. A weekly or monthly check is essential for active trading. Compare your losses with your winnings. Investigate the key factors that make up a winning deal, and refine your criteria and improve your executions. How painful it can be, analyze your mistakes as well. Refine your criteria and correct the same errors again. Error analysis is just as critical, if not more, than studying your successful trades.

Edit - If you have a losing bar or see a potentially weak area in the options trading system, edit it. It's a shame he was wrong. It is part of the agreement. Too bad, you are blind to your mistakes and repeat them. By feeding your ego and justifying your weakness with apologies, you can be sure that you will not succeed in trading. By recognizing your blind spots and making adjustments, you can keep your system in line with changing market trends and conditions. It sounds so simple, but it requires perseverance and discipline.

Learning - the trading system is not static. Keep your mind active through constant learning. The more you study the stock market and the options trading system, the more you want to know, and the better you will be. If the options trading system were a tic-tac-toe system, we would all be rich. Fortunately, options trading is not as dull as children's play. Learn something new every day and incorporate it into your options trading system.

Important Market Concepts to Know

Now that you have understood what options trading is about, benefits, risk, currency options trading, and how to build a system, we can start discussing the crucial strategies to profit from options trading. First off, you should know that market is not always stable. In most cases, we have a condition where the price is falling and rising in a short period. However, in other cases, investors do experience a prolonged decline or rise in stock prices. These cases happen to be quite crucial for options traders as it can come handy for implementing one or more options trading strategies that will be discussed later. Hence, let's look into the types of market concepts that can influence options trading.

- **Bull Market**

When the state of a financial market is such that the prices are expected to rise or keeps rising, it is referred to as a bull market. Although the bull market is commonly used in the stock market, it applies to other tradeable assets such as real estate, currencies, commodities, and bonds. The term "bull market" is most often used during a prolonged period of rising security prices. We can experience a bull market condition for several months or a few years.

An investor in a bull market usually shows optimism, expectations, and confidence. They believe that the price will continue to increase for an extended period. However, making a correct prediction consistently in the market is difficult. Among the challenges is the psychological effects and speculations. These two can affect market conditions significantly.

Bear in mind that no universal metric exists for the identification of a bull market. But the bull market concept is usually defined by a rise in stock covering 20%, a 20% fall, and another 20% fall. Considering that predicting a bull market is challenging, it is usually recognized after its occurrence. Between 2003 and 2007, a considerable bull market condition took place. During the period, the price of the S&P 500 increased significantly after a previous fall. Due to the 2008 financial crisis, another fall took place after the bull market condition.

When an economy is growing or becoming strong, the bull market usually occurs. It often takes place alongside a strong GDP (Gross Domestic Product) and a fall in the employment rate. During such a period, another notable event would be an increase in organization profits. A bull market is also characterized by an increase in overall demand for stocks in line with the total tone of the market. Furthermore, the quantity of IPO activities will increase. Once you realize all these situations, then the bull market condition may be about to happen or be happening.

- **Bear Market**

Another market condition that you should understand is the bear market. This is when a prolonged decrease in price occurs in the market. Ideally, it explains a situation where the securities price reduces by 20% or more after a recent increase. In this condition, investors are usually pessimistic and become negatively sentimental. Rather than risk-seeking, traders will start taking a risk-averse approach towards the market. When the overall market or index drops considerably for a prolonged period, we can also say that a bear market condition is happening — this sustained period of decline maybe eight weeks or more.

A reflection of cash flows and profits by companies can be seen through stock prices. Once the growth begins to fluctuate, expectations will start dashing that prices may fall. As companies rush to protect downside losses, it can result in an extended period of the depressed stock price. This bear market condition may exist for several months or years as traders focus on sure bets, and pay less attention to speculations.

Generally, a weak and sluggish economy usually cause a bear market. Among the qualities of a slow economy are low employment, weak productivity, business profit decline, and low disposable income. Also, the government's intervention in the economy may kickstart a bear market condition.

- **Market-Neutral**

Rather than a condition, market neutral is a technique. Investors usually apply market-neutral to gain from a fluctuating price in one or a few markets. Also, some traders use the technique to avoid certain types of market risk. Using market-neutral demands taking a complementary long and short positions on various stocks. This will help increase the return from good stock selections and reduce the return from wide market movements.

In some cases, market-neutral experts apply some metrics such as shorting sectors and merger arbitrage to exploit market momentum. For some industries, a market-neutral may entail taking a 50% short position and a 50% long position for effective implementations. The strategy of market-neutral focuses on concentrated bets according to the differences in prices. Also, the major goal would be to achieve a zero beta against its proper market index to avoid systemic risk.

Four Basic Options Trading Strategies

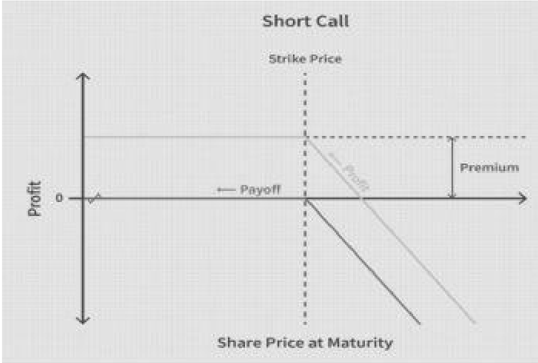
Before we proceed to the 13 strategies of options trading in the next chapter, it's important to know the fundamental strategies of options trading. By understanding the basic techniques, you can quickly grab the comprehensive 13 strategies. The basic methods include long call, short call, long put, and short put. Read further to learn in detail.

1. **Long Call Options Strategy**

Here is the most basic technique among the fundamental options trading strategies. Using a long call options strategy demands buying call options and believing that the cost of the underlying security will increase beyond the strike price prior to the expiring date of the option. Compared to purchasing underlying shares outrightly, the buyer gains leverage because the lower price calls tend to quickly appreciate every point increase in the underlying stock's price. But, remember that there is a limited lifespan to call options. In a situation where the price of underlying stock fails to increase beyond the strike price prior to the expiration date of the option, the call option will become worthless. However, traders who utilize long call options strategy stands to enjoy unlimited profit potential and limited risk. Thus, it's recommendable for beginners.

Below is a graphical representation of the expected profit or loss for a long call option in relation to the stock price at the expiration date.

Graph 1



Long Call Case Study

Let's assume that Intercom limited owns a stock which is trading at $40. However, a call option contract bearing a strike price worth $40 will expire in the next 30 days. Also, the same call option is being priced at $2. Now, you expect that Intercom Limited stock will increase significantly in the next few weeks. Thus, you purchased a single $40 Intercom Limited call option that covers 100 shares.

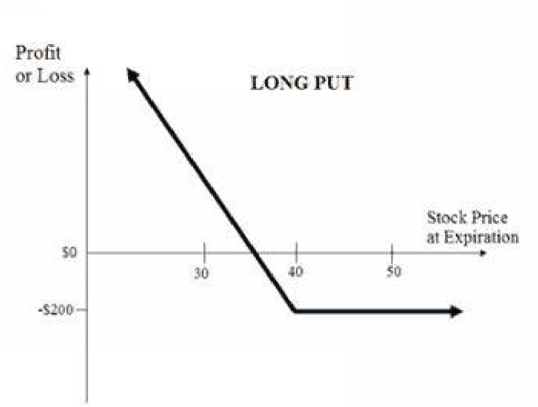
If you are correct and the price rises to $50 on option expiration, you can exercise your call option and purchase 100 shares out of the Intercom Limited stock for $40. Now, you can sell them instantly at the open market at $50 per share. This implies that you gain $10 per share. Since each call option contract means 100 shares, you'll receive $1000 as your total amount. Also, you'll gain a net profit of $800 for the whole trade since you purchase the options for $200. In a situation where you are wrong, and a stock price fall to $30. Eventually, the call option will expire worthless and you will lose $200.

2. **Short Call Options Strategy**

As a trader, if you place your option on an asset and believe that the price of the asset will drop, you are essentially performing a short call options strategy. This technique is a bearish trading strategy that gives a trader the right (not obligation) to sell a security. Compared to the long call, a short call is riskier. However, the advantage is that it demands lesser upfront money. Ideally, whenever the price of the underlying security drops, a trader that operates with a short call options strategy will gain. On the contrary, a rise in price will lead to an unlimited exposure during the period when the options remain valid – this condition is referred to as a naked short call. As a trader, you need to exercise a short call while possessing the underlying security to reduce losses. When you do so, you have just performed a covered call. This basic options trading strategy will come handy for beginners. However, experienced traders also apply the technique.

Below is a graphical representation of a short call options strategy.

Graph 2



Short Call Case Study

Again, suppose Intercom Limited choose to sell calls on shares at Baseball Holdings to Basketball Plc. At the moment, the stock is selling close to $100 per share with a strong uptrend. But Intercom Limited thinks that the value of Baseball Holdings is overrated. Likewise, according to a combination of technical variables, the company believes the value will drop to $50 per share. Now, Intercom Limited accepts selling 100 calls at a rate of $110 per share. Now, Basketball Plc can purchase Baseball Holding's shares at that exact price.

By selling the call options, Intercom Limited will get a premium upfront. This implies that Basketball Plc will pay Intercom Limited $11,000 – the outcome of 100 multiplied by $110.

In a situation where the stock heads reduce over time (as expected by Intercom Limited), Intercom will earn profit through the difference of what they received and the stock price. if Baseball Holdings stock falls to $50, Intercom Limited will gain $6,000 – the difference between $11,000 and $5000.

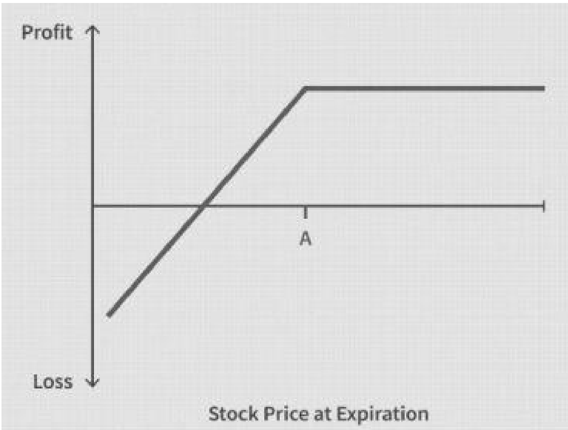
But if Baseball Holdings share keeps rising, it will result in a limitless risk for Intercom Limited. For instance, let's assume that the share reach about $200 within three weeks. Once Intercom Limited decide to exercise a naked call, Basketball Plc will exercise their option and buy a stock worth $20,000 for only $11,000. This will result in a trading loss of $9000 for Intercom Limited.

3. **Long Put Options Strategy**

Another basic strategy worth considering for a beginner is the long put options strategy. In this case, a trader purchases options believing that the price of the underlying security will fall below the striking price prior to the expiring date. In contrast to short-selling the options, long put technique is more convenient to rely on since traders don't have to borrow the stock to short. Compared to unlimited risk when you short-sell an underlying stock outrightly, the associated risk is capped to the premium payment made for the put options. But the con is that there is a limited lifespan to put options. In a situation where the price of the underlying stock fails to fall below the strike price prior to the expiration date of the option, the put option will lose value completely.

Here is a graphical representation of Long Put Options showing the relationship between profit or loss of the options against stock price at expiration date.

Graph 3



Long Put Case Study

Let's assume that Intercom Limited's stock is trading at $40. In the next four weeks, the put option contract holding a strike price worth $40 is being sold at $2. However, as a trader, you believe that the stock of Intercom Limited will drop significantly in the next few days. Thus, you purchase a single $40 Intercom Limited put option worth 100 shares at $200.

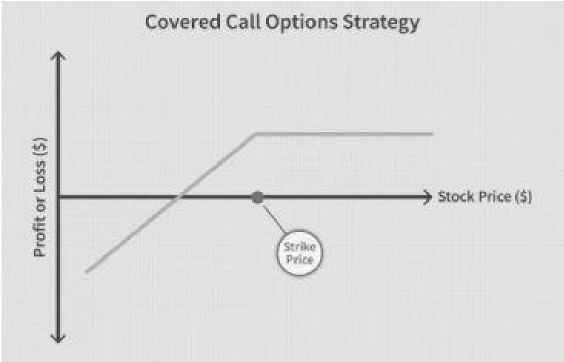
Suppose you are correct, and the price of Intercom Limited's stock drops to $30 on the expiration date. You'll have an in-the-money put option, bearing an intrinsic value of $1000, which you can sell. Considering that you purchased the put option for $200, you will have a net profit of $800 for the whole trade. But if you are wrong and the stock price increase to $50, the put option will expire without any value. As a result, you will incur a total loss of $200 used to purchase the option.

4. **Short Put Options Strategy**

When a trader sells or writes a put option to open an options trade, then the trader has executed a short put options strategy. Whoever purchases the put option is long, while the trader that writes the option is short. The premium, which is the option cost, will go to the writer. Also, any profit on the trade will be limited to the premium. In a situation where an investor writes a put option, he/she have to purchase shares of the underlying stock whenever the buyer activates the option. Any trader that possesses the put options may incur significant loss before the buyer exercises the put option, or the option expires if the underlying stock's price drop below the strike price of the short put option.

Here is a graphical representation of a short put options strategy

Graph 4



Short Put Case Study

Suppose the stock of Intercom Limited is currently trading at $30 a share. Now, an investor opines that the stock will grow to $40 in some months later. In this case, the trader can purchase the shares. However, it will require $3,000 in capital to own 100 shares. When you write a put option, it will bring revenue instantly, but a great loss may be incurred later.

Let’s assume that the investor writes a put option holding a strike price of $32.50 (with a 2-month expiration date) for $5.50. Thus, the highest possible gain is restricted to $550 – the product of $5.50 multiplied by 100 shares. In this case, $2700 will be the maximum loss if the underlying security drops to zero, and the writer has to purchase the shares at the strike price. The premium collected will slightly offset the loss incurred.

CHAPTER 5

PRACTICAL AND EFFECTIVE OPTIONS TRADING STRATEGIES

Do you know what an options trading strategy is? If you don’t work with a broker and have an investment portfolio, it may take a while to understand this concept. Like other parts of the financial market, mandates in the trading sector allow authorized investors to have specific knowledge of the conditions, their holding, and any expected changes that may earn (or eliminate) income.

For the best results, a trading strategy is an essential element. So, the question is how to plan this strategy? It requires clear goals and plans, but options trading is such a flexible activity that it can help all investors achieve their goals.

Whether the market has been bullish, bearish, or neutral for a long time, it is good to have a trading strategy for this particular market situation.

It may be best to first explain a little about the different activities that options traders have and how they can be used strategically to achieve financial goals.

As in the stock market, investors in the world of options trading have the power to buy and sell. Howe ver, those who sell and buy options never own the underlying assets, which is not the case in the stock market. Instead, they work with legal contr acts to carry out these commercial ships and earn or lose financially under the terms of that contract.

For example, an investor may think that particular stock (because he does not own any stock) will dramatically increase in value in the coming weeks. At present, however, they have no income from investing in these shares. Instead, they buy a "call" option, which allows them to purchase shares for some time at a specific price. If the shares appreciate before the option expires, the investor can buy at a significantly lower price or sell the options at a profit.

The agreement comes with an appropriate fee, so there should be an excellent strategy to determine in time whether the "exercise price," the "premium" for the option, and the "expiration date" will all add up to the adjusted amount of profit.

Investors and Traders: Where to Find Effective Options for Trading Strategies?

People are aware of the success, profit and positive results of investments and opportunities. With the spread of the good news of achieving financial stability and freedom at their own pace, time, and convenience, more people would like to adopt some possible alternatives that could help them achieve their financial goals and objectives. With this desire and effort, interested people are now looking for great ways to help them, organize their priorities, and clear their minds when they want to focus on this new venture.

Another question is how these people can find some reliable inputs, details, tips, and self-help techniques for options trading. Here are some points to consider when entering this new business and enterprise. It can be taken into account because it seems useful and profitable.

The usual return and opportunity for some individuals are to access what is readily available. And because most people have access to the Internet, they connect to the Internet, then see information and details with a few clicks.

All you have to do is read, verify, and understand the text from various web sources and sites. Some trading options are available through social networks, websites, blogs, web posts, and onl ine community or group forums. When you're on some sites and the Internet, you may need to verify and evaluate to see if they should be considered valid and reliable. Once you've completed the verification and validation processes, you can review what you find useful and practical. Such inputs are needed and appropriate for your trade - investments and transactions.

Perform rigid, intensive, and extensive research. Whether you go to a physical information center, library, or something similar, or even go online, conduct a comprehensive and critical study to obtain copies of related texts and literature on some effective trading strategies. This effort can be practical and useful in many ways. While getting specific data and even techniques from some investment materials, trading books, and published outputs may seem a little difficult and time consuming, you can be sure to guarantee the authenticity and validity of the documents.

Invest in some books and reference materials. It is a good and practical investment to buy or purchase books, manuscripts, documents, preserves, and archives on some available and easy-to-understand self-help options. If you find that you have a genuine interest and are determined to continue this investment and trading, you can get copies of "good" books. These materials can guide you in all your investment and trading activities.

Meeting the “same minds” can be considered an excellent way to get a specific trading strategy that you want and need. Getting first-hand information and input, whether you meet these people in person or practice, can be of great help. You should also take into account learning from those who knew how it works, what are some alternatives, and what awaits you. You will experience the first-hand experience, then prepare and equip yourself as you should.

So, what are you waiting for? Start trading by investing time, effort, and resources as you make your way to broaden your horizons for better opportunities for your family, loved ones, and friends. Find the most reliable and productive options trading options today and see how they can work wonders in your economy.

13 Effective Strategies for Options Trading

Now, let’s start sharing comprehensive details about the top 13 strategies of options trading.

Covered call

You can trade covered calling options as something you would like to do in a bull market. Are you looking for stocks that are growing, or are you expecting to stay at least in the short trading range for a short time?

It is a more aggressive approach, and an excellent way to trade covered call options when the market is generally bullish, or you have good reason to believe that selected stocks are rising.

However, can you still consider trading in covered calling options when the market is in a primary downtrend? Yes, you can! If the view of the warehouse drops before the expiration date, you can still make money. You choose a conservative approach, and that's how you do it.

When creating a purchase listing action, first pay attention to the map patterns and look at the highs and lows when the trends are low. Try to buy stocks as close as possible to the next "low" trend. It is usually a support line or similar distance from the previous trough to the t op in front of it.

So, you bought shares. Another thing you need to do is sell the covered calls at a strike price that is ACCORDING to the current market price of the underlying stock. These options are called "in money." The premium variant will include an absolute "time value" but also an "intrinsic value." As a result, the premium you receive will be significantly higher than if you sold call-up calls, and if your stock continues to decline, it will give you less protection.

You are in no hurry to sell covered calls this way. You have to decide what to do next month.

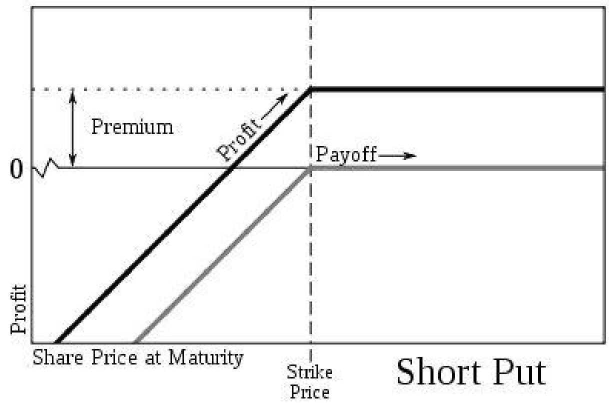
Let's say stocks were expected to withdraw shortly before the downward trend continues. There is nothing to do at the moment. Your position is still profitable, even if it is smaller than when you were selling callers. The higher the supply, the more money will be sold. As the delta increases, there will be more "intrinsic values" than "time values."

If the stock returns and unexpectedly continues north until maturity, your shares will be converted at a lower exercise price. You try to make a loss on the stock, but this is offset by the higher bonus you received. Your winnings should only be the amount of the "time value" above the "net asset value" of the options at the time you sold them.

However, in a declining market, stocks are likely to return after a downturn and continue south. If an inventory is declining rapidly, consider increasing call options and selling additional options at a lower exercise price to increase revenue. You make money from the options you get because their value has declined, and Delta works here for you. Now, if you sell more money calling options at a lower bet, this bonus will include a certain amount of time and will also give you additional protection against the adverse effects on the shares you have purchased.

You can do this several times a month if your timing is correct. As part of your strategy, you can also consider selling covered calls for next month. You should consider the graph and example to understand covered call options strategy better.

Graph 1



Here is an example:

You bought shares and sold overhead options for a premium of $1.50 per share. In two weeks, the share price will fall, and the value of these call options is now only $0.25 per share. You repurchase them and sell covered calls to the same event for a lower workout or before the following month’s expiration for approximately $1.50 again.

You get a profit of $1.25 for the first batch sold, and you also received another $1.50 for the second batch - a total of $2.75 per call. Shares that you can use to protect against further decline or to contribute to your overall profit. Numbers like these would apply to lower value stocks where premiums aren't that high - you increase in size as the value of the stock increases.

However, the deal included call options on shares that cost less than $30 per share. The stock generates a higher percentage of premium dividends from covered call options than at higher prices. This is a recommended part of your strategy.

Regular earnings from trading in covered call options are possible in both declining and growing markets. It's just a matter of adapting your strategy to current market conditions. Lastly, covered call strategy is best recommended for the experienced traders.

Five Main Reasons for Selling Covered Calls

Traders selling covered calls know that this is a proven strategy that investors use every day, as well as significant hedge funds that generate returns every month. Making 3% to 5% per day is not unrealistic.

An experienced trader who knows the benefits and off-the-shelf opportunities (also called covered call writing) can earn 4% per month without taking much risk. It is a 48% return per year, and if it is deposited, it means that no money is collected, and all profits are reinvested, 60%! Higher returns from 5% to 8% and sometimes 10% per month are possible if you get a share in the growth and conquest of premiums and stock prices.

1. When you sell a call option, you create CASH FLOWS! If you are a "buy and hold," collect some easy monthly rent and increase your income super!

2. Selling covered calls are lucrative; You can earn 3% to 5% per month. A portfolio of 50,000 USD, supplemented by a 4% monthly dividend of $524,288 over five years!

3. You can sell options in any market; there are strategies for bullfighting, bear markets, and secondary markets.

4. Covered calls are conservative with limited risk; They can be combined with providing the highest protection against decline or selling for money or demand for money, which is lower, which reduces your cost base.

5. The process is not time-consuming; no one stares at your computer for hours.

Rules of the Game

* Successful vendors/writers rely on quality stock. Choose solid stocks with strong earnings per share. Share (EPS) and knows where the support and resistance points of the capital are located. There are some high-quality call covers available.

* Don't be tempted by a juicy fat premium! Many inexperienced traders go wrong here; they see a considerable price, and they go for it. If you opt for incredibly volatile stocks, you can stock up to $5.00 before you know it.

* Schedule a transaction and execute. You know the current trend in the stock market, the direction of your stock, upcoming news such as earnings that things can predict a bit.

* Consider dividend payments to offset marginal interest rates or increase returns. Shares like Merck pay almost 5% of the dividend and are volatile enough to receive excellent bonuses. This is the best of both worlds.

* For maximum protection, use a protective layer strategy. As a storage tank, you still make money!

What do you need to write profitable monthly covered calls?

* Successfully covered call writing requires knowledge and skills; it can all be obtained.

* You need to focus on getting to know the process, asking questions, and getting help if needed.

Fortunately, there are many resources. As a trader, it is essential to understand that we cannot dominate or defeat the market. It may sound strange; The market there does its thing every day. If the surfer is on the wave and doesn't go his way, they will get out and find another one!

Naked Put

Naked Put should be one of the riskiest strategies. Thus, only professionals are best advised to use it. But when that happens, selling naked puts can be even safer and more profitable than buying stocks.

When you sell a nude set, you assume that you must buy the stock at a specific price on or before a certain date. You'll knock the price forward for that.

Sales puts can be a good strategy if you don't come overboard. So, if you're selling nude stocks for $50,000, make sure you buy shares for $50,000, as you may need to continue.

If you do so with moderation, selling naked puts has the following benefits:

1. Stocks don't have to go up

When you sell naked put shares, you don't necessarily need them to be profitable. You don't have to drop stocks below your bet price.

It will allow you to make money if you have trouble finding stocks that are moving. Instead of taking care of it, you can always sell sets.

2. You can get paid to buy a stock

If the shares fall below the exercise price, you must buy it. But because you got the bonus in advance, it means you got paid to get into a healthy stock, which is much better than buying and maintaining an old way.

And if the company has good long-term growth, you can wait for the weather to rise and sell covered calls to get an even higher premium.

3. A premium has been added.

The premium collection eventually adds up and can be very profitable in the long run. You can often earn more by selling sets, and you can do so by maintaining stock.

Is Selling Naked Puts Risky?

Selling naked puts has gotten a bad rap over the years. It is said to have huge loss potential and is therefore reserved only for the most experienced traders.

But does a naked strategy deserve the awful rap she got? It depends on how you use it. Selling puts can be a great way to make money and get into stocks, but getting away can damage your strategy.

Let's look at two different examples of selling naked sets. In example 1, Mike has $3,000. He wants to invest in an ETF or substantial capital, and he found a fundamentally strong stock that traded at $33. He can now buy and hold 90 shares of that stock or sell $30 well.

Mike decides to go for the second option and sell $30 well. From now on, he earns $150 in advance and is required to buy shares for $30 if the shares rise to $30 or less. From here, one of two things can happen.

1. Shares will drop below $30. He buys it for $30, which is less than what we had to pay for. Mike also has a $150 price he can make and can keep stocks for a long time
2. Shares remain above $30. Sold Mike expires worthless and runs away $150. Mike may also decide to sell another set next month because he has free capital.

In this case, the sale of the well is not bad. Selling a well can be even safer than buying stocks directly because we make money upfront, which reduces our costs.

In the second example, however, Fred also invests $3,000. He decided to start selling substantial shares.

He sells one share on XYZ, one on ZTF, and one on ABC, from which he earns $400, but must buy $10,000 if everything turns against him.

In this example, Fred sells high-risk naked sets. Any shares you sell for a bare placement must be held for a long time and must be able to buy those shares if you need them.

If all the shares went to Fred, he would have to buy them for $10,000. However, because he does not have $10,000 in his account, he will have to obtain a refund, which could potentially reduce his account to $0.

In short, one should deal with the sale of naked puts from more investment and not from a commercial point of view. If you are not willing to buy and maintain security, you should not sell it naked.

Selling naked puts is an excellent choice for a low-risk profit strategy. It is a powerful weapon for any trader because it allows the investor to buy the preferred stock at a price that suits him and also gets another price discount. It is a simple strategy that does not require you to look at your computer screen daily and does not require hours of technical analysis.

How Does Naked Puts Work?

For example, if XYZ shares trade for $45, the trader may sell the Put for $40 before the next maturity date (i.e., no longer than 30 days). It means that if the stock drops to $40 before the end of the sale, the trader will have to buy 100 shares for $40, which will be $4,000. If the cost of the Put were $1.00, the trader would achieve an initial income of $100.

If Put is redeemed and now has to buy shares, his net price ($40 - $1 = $39) or $3,900 would be. If the stock doesn't drop to $40 before expiration, Put will fail worthless; the trader keeps $100; And he may sell another set next month, which allows for another discount if his Put is ever applied. Theoretically, our traders could keep it indefinitely and eventually buy stocks for nothing! If he never buys shares, he has a nice monthly income so he can make a simple transaction a day.

When should I sell a naked put?

Don't forget to choose the event you want to own. You looked at the basics and decided that even as stocks dwindle, the long-term outlook is good.

Perform a simple analysis of general market trends (S&P, Nasdaq, or DOW) and your share sector groups (the easiest is to see the index for this group). Never sell Naked Puts at an apartment or a growing market. NEVER sell in a steady downward trend. If the exchange or sector has a slight downward trend, make sure you have a good idea of the areas of support and how strong they are. It will tell you where to place your Put.

Use the options calculator (like the one available for free at OptionVue Research) and select Put in the range where the stock price is likely to end above the highest target of 80% or better.

Sell Puts before the next month's due date - not further.

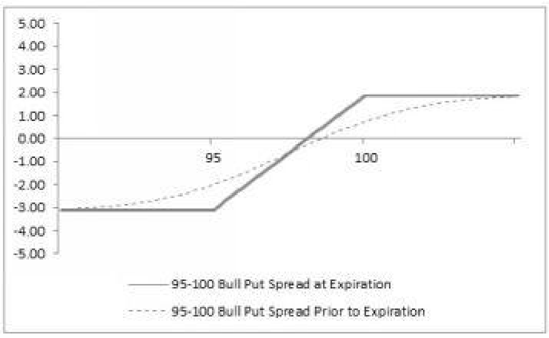
Wait for the Put to expire or be executed. If it expires, do it again the following month!

What Else Do I Need to Know?

Even though Naked Put is safer and more advantageous than stock trading, option brokers consider selling Naked Put a risky strategy. Your broker would like to know that you have enough money to buy the selected shares if your Put is exercised. The formula varies between brokers, but a margin requirement is usually required - 12% of the full purchase price of the stock, if you have exercised it.

Why this steep margin requirement? Theoretically, if you buy a stock at Put's best price, it is sometimes because the stock collapses and may continue to fall until the stock is worthless, leaving you in the dark with the stock you paid too much. However, if you do not play and do not make an informed decision and choice of your share, this will never happen. Before sharing the final details, here is a graphical representation of naked put strategy:

Graph 2



Selling Naked Puts is the only sensible way to buy stocks because you are purchasing those stocks at a discount (why pay more?). In any case, if you usually invest in stocks, you have enough money to meet your margin requirements. In a neutral or bull market, this is a great way to generate a monthly income. It's safe, reliable, and cost-effective, and best of all, it doesn't require a thorough knowledge of technical analysis. Knowing the basics, performing simple trend analysis, and trading is secure.

Bull Put Spread Method

Traders often avoid options trading because they simply do not understand them. If you want to become a better trader and get the most out of your investment dollars by reducing risk, you can learn some of the options trading strategies that will help you do that. Here, we'll be discussing the Bullish Put Spread Method in detail. However, before then, let's share information about Bull Call spread technique for the sake clarity.

As with any trading option, you pay a fee or premium for having the right or "option" to call (buy) or put (sell) 100 shares for a specified period at an agreed price, from 21 days to more than a year. For example, you pay a $100 premium for calling GE at 35.5 for six months and ten days. (This is the most popular period because all gains of this length are considered long-term capital gains and taxed at 25%.) Let's say GE shares rise and start trading at 45.5 before your option expires. Then take the opportunity to make a profit of $900. Shares, 100 shares = $1,000 - $100 price = $900 net profit.

The call propagation method favors a bull market or an upward trend. This method requires you to buy a lower call (price) and write a higher bet at the same time. The call for a lower strike has a better chance of being more valuable due to the bullish market trend.

You write with a higher card to protect yourself from adverse market fluctuations.

For example:

The long September 1, 350 requires 152

September 1, 400 cards 56 required

Days expire 33

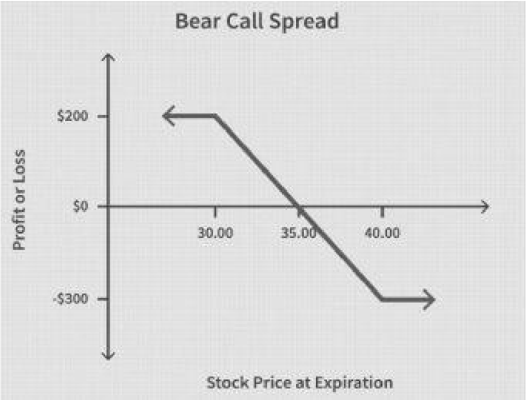
Net bonus 152-56 = 96 cents (9.5 cents)

10 (1 cent) corn = $50

The net premium of $9.5 cents * $50/tick = $475

This is a great way to reduce your risk and maximize your profits. Hopefully, you can realize the power of this strategy and the unlimited potential of options trading. Below is a graphical representation of a profit and loss cases using a bull put spread method:

Graph 3



As with any investment strategy, I recommend testing this strategy first with a paper dealer or from practice to make sure you understand the theory of this strategy before you risk real money. Ask a trusted advisor if you have any questions and make sure you know both the potential and the risks associated with your investment or trading strategy.

Now, let's talk about the Bull Put Spread. It is an options strategy used by the options trader when the trader grows against the underlying asset. The trader believes that the asset will be valued. The procedure consists of selling (or registering) an option with an option to sell ITM (cash) and purchasing an option with an OTM option (money) with the same expiration date. ITM phrases are exercise prices that are higher than the current spot price of the asset. OTM puts realization prices below the current price of the asset.

A sold option has a higher premium than a purchased option, which leads to a credit spread. The trader receives a net loan to open a position because the loan is the difference between the premium for the chosen realization prices. This strategy can be selected based on the trader's choice if the expected volatility of the preferred options is favorable. Implied volatility is an essential factor in price options. Considering that bull put spread is relatively complicated, it's not ideal for beginners.

The advantage of this transaction is that the maximum loss is limited, namely the difference between the selected realization prices reduced by the premiums received. The maximum profit is also limited to the loan secured. This transaction becomes profitable if the underlying asset's cost remains above the current spot price until maturity.

The transaction will result in a loss if the price of the underlying asset is lower than the current spot price. This position can be eliminated before maturation, which results in less loss or less profit than when it matures. The trader may also close part of this position at any time before it expires, which may lead to unlimited profit potential.

The main advantage of selling (or registering) options is capturing gains from the option's maturity over time. It is stated as part of the external value and is another crucial factor in setting prices. Volatility, maturity, and, to a lesser extent, interest rates are all aspects of the value-added of an option. The net asset value of the option is simply in the monetary part of the option value. Stock traders pay special attention to implied volatility and time to maturity.

Bear Call Spreads

Traders call spread is a strategy that allows you to take advantage of a declining market. One of the most significant benefits of this technique is that you may not be entirely right. While this is a bearish strategy, stocks do not necessarily fall to make money. It can go aside or even a little up.

How can this happen? This strategy benefits from the call. A call gives the buyer the right to buy shares at a specific price on or before a particular day. He pays a premium for that. The seller will receive a dividend, but he/she is obliged to purchase the shares on or before the specified date for a specified price.

Thanks to this range, you benefit from the position of a seller. Let's take an example. You find a share of $42, and you think it will go down. You decide to sell a $45 call for these shares. This will earn you $1.

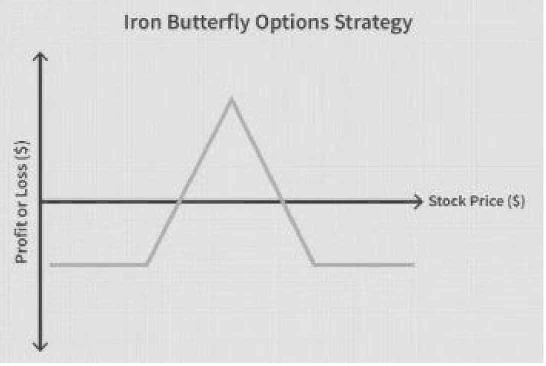
As long as the stock stays below $45, you will maintain a profit of $1. The problem is that you have unlimited loss potential. If the stock rises to $70, you must buy it for $70 and sell it for $45 and $24 loss on $1 gain.

Because you don't want to trade with the unlimited potential loss, you also buy a $50 challenge for maybe $0.30. Now your total profit is only $0.70. But now you can buy a stock for $50 if you need it. So even if the stock price is $70, you can buy it for $50. Your potential loss is now only $4.3.

Since stocks only need to stay below $45 to make money, you are more likely to succeed if you should try to cut stocks.

The spread of the bear call also has a different direction. If the stock rises to $48 and you now think the stock is growing, you can choose to buy back for $45 at a loss, but keep $50. Assuming there is enough time left before the expiration date, the $50 challenge will be appreciated as the stock price increases. It can even offset the loss you took when you make $45 call. Graphically, the diagram below shows how a Bear Call Spread looks like:

Graph 4



Finally, if you don’t have sufficient knowledge in options trading, you are advised not to apply bear call spreads, yet.

Long Iron Butterfly Strategy

The Long Iron Butterfly is another trading strategy and variation on the Iron Condor. Both strategies use a combination of two credit spreads that go in opposite directions, one using calls and the other puts. The difference between the two is the range of bet prices used - Iron Condor has four different bet prices and uses the "out of money" options of the "body" of the set, while Iron Butterfly focuses on using the same "for money" has short (i.e., sold) bet prices. Prizes for the "body" and two long "out of money" options "wings."

As a result, Iron Butterfly gives more credit thanks to the ATM options sold but also carries a higher risk of the shares falling into the wings, as they tend to be closer to the current trading price of the underlying shares at the time of entry. Advisably, you should not use long iron butterfly strategy unless you have understood the potential risks and reward greatly. Thus, it’s usually recommended for the professional traders.

Properties of the Iron Butterfly

Limited Risk: Your risk is the difference between ONE of the best prices on each side of the median bet prices (the "body" of the butterfly), the LESS premium you received by selling for; c ash calls, and puts institutions. If options trading volatility benefits you, this risk may be minimal.

Limited Reward: Your winnings are limited to the bonus you earn when selling options "for money."

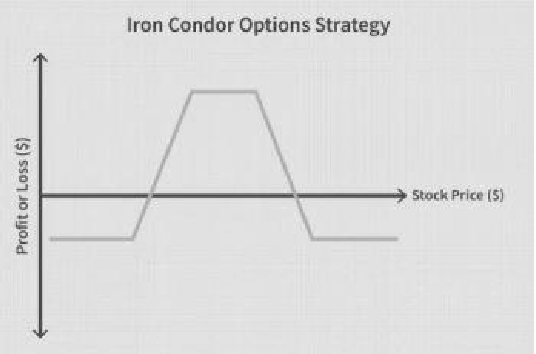
Collateral required: For a credit spread, you usually need to use enough money in your trading account to cover the difference between the exercise prices and the number of shares covered by the option contracts. However, as one of your positions may not be earned after the expiration date, some brokers may take this into account and allow you to allocate only the funds needed to cover one side of the spread.

Recommended Strategy

First, identify the stocks that you think will be delimited by the expiration date of your Iron Butterfly position.

Second, you need to examine current market prices concerning the possible strikes necessary to determine the strategy. Arrange it in a table and evaluate the "risk-reward relationship" before trading. The basic idea is to take advantage of exchange rates that allow you to trade with maximum creditworthiness compared to the potential risk of expiration. For example, if you see the Iron Butterfly option after a big move, the implied volatility in a variant may benefit your advantage, so your positions sold compared to ATM purchases result in a risk-reward ratio of more than 1000 percent. You do not have to wait until the expiration date to leave your position. If stocks remain within the range you expect, you'll gain some flexibility as the options approach expiration dates. You evaluate the profit level for the last two weeks and end when the market price of the underlying asset is closest to your "cash" positions. To understand the idea of long iron butterfly strategy better, check out the graph below.

Graph 5



However, if the price of the underlying asset rises in both directions and violates external realizable costs, you can do one of the following two things. Either you leave the position to make sure you don't get the underlying stock, or depending on where you think the stock might go from there, you can take advantage of a nice credit spread feature and lose the position for later maturity. In contrast the other side of the credit spread decreases without risk.

Iron Condor

Iron Condor's strategy is the primary strategy for options traders who want to take advantage of the stock market without having to choose a direction. Ideally, these options trading works best in non-trending markets. Still, it can also be used successfully during trends and more volatile markets if the trader has the knowledge and ability to spend the time he needs to correct them. Check and adjust!

This range takes advantage of theta decline in options - the fact that possibilities rot and lose value over time. When a flat iron condor is located and nearing its maturity - if the "sold" strike positions are far enough away from the "damaged road," these condors’ can usually be worthless and leave the iron condor trader for a short time.

Iron capacitors are made up of two separate credit spreads - one at each end from which the underlying asset is currently traded. The trader call range was placed above the current base price. The spread of the bull is placed below the current trading price. Depending on which broker is used, they can be set individually as individual vertical spreads or together as a trade-in iron condor.

The purpose of the transaction is to keep the underlying asset within the "spread" created by the two credit spreads sold. While trading is on, the base point on the map can move as long as it remains in this "range." These are submarines that step too far in both directions; trade is at stake, and the trader will have to take some action to be able to steer and adapt.

This type of trading strategy offers a very high chance of success - and can usually be profitable. However, it is essential to realize that the risk of rewarding relationships between these deals is NOT ideal because losing a month, if not correctly managed, can wipe out profits throughout the year. It is crucial for the long-term success of this trading to learn how to set the right surplus targets, exit and stop points, and to gain the necessary knowledge on how to properly control and adjust the position of iron condors in difficulty.

When I first started trading in this strategy, I found that I had one month. Suddenly, I hit the wrong month and finally put everything back and then some - simply because I didn't have time to learn how to get on the gain control and adjust accordingly.

The Iron Condor Is Defined

The Iron Condor is an extended options trading built by two other separate dispersed industries - the bullseye spread and the bear could spread.

Map:

The broad bull is neutral for bull trading. It is constructed by selling or registering one set at a strike price (probably lower than the current share price) and then buying more puts at a lower strike price. Because the put you sell costs more than the put you buy, the transaction results in a net credit.

This net premium income is your maximum profit and can be maintained in full until the shares close above or below the exercise price of the original put you sold.

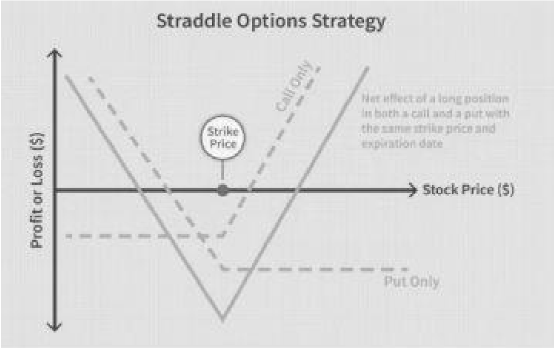
Because the put you purchased serves as collateral, your maximum loss is the difference between the two exercise prices (multiplied by 100, because each contract represents 100 shares of the underlying stock) minus the net premium you originally received.

The extension of calls by the carrier is neutral to bear trade. It is created by selling or writing a call at the strike price (probably above the current rate on the stock exchange) and then buys another call at a higher strike price. The transaction results in credit because the call you sell costs more than the call you buy. This net premium income is your maximum profit, and you can keep it in full until the shares close at or below the strike price of the original call sold. Because the call you purchased serves as collateral, your maximum loss is the difference between the two strike prices (multiplied by 100 because each contract represents 100 shares of the underlying shares) minus the net premium you originally received.

Iron Condor combines these two condors and collects net premium income from two sources instead of just one. The iron condor is a predestined trading zone with borders up and down. If the shares close in this particular range at the time of expiration, the maximum profit is achieved, which can be quite lucrative based on the total percentage of venture capital.

Below is a graphical representation of Iron Condor strategy for the sake of clarity.

Graph 6



An example of Iron Condor Case

[Note: Committees are excluded from the following example.]

Let's say XYZ is trading at $35 per share, and you don't expect the percentages to be much higher or lower in the short term. You decide to set an iron condor spread, where all options expire in a month.

You also sell a put of $32.50 for $1 and buy a put of $30 for $0.50. Because each contract represents 100 shares of the underlying shares, you will receive an exclusive bonus of $50. This creates a bull section of the iron condor.

On the other side of the transaction, you will simultaneously sell a $37.50 call for $1 and buy a $40 call for $0.50. Multiplying each contract by the 100 underlying shares it represents will give you an additional net bonus of $50. This creates the supporting part of the iron condor.

You have withdrawn $100 in net premium. As long as XYZ closes somewhere between $32.50 per share and $37.50 per share, all options expire worthlessly, and you get a maximum profit of $100

Your maximum loss will occur if the shares are closed after expiration, at or below $30 (maximum bull loss), or at or above $40 (maximum bearish loss). The maximum damage for Iron Condor is the difference in Strike Price for Eliminated Bull or Talk Time 100 (per contract - the number of shares representing the contract) minus the total net bonus received.

In the example above, the maximum loss is $250 (the difference between the exercise prices on both legs) minus the $100 net bonus collected or a total of $150. Even if you have made two legs, because the shares cannot close above $40 per share and below $30 per share, the maximum loss is limited to the betting prices of only one foot.

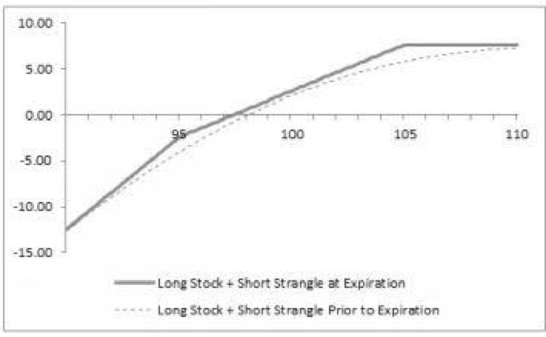
Iron condors can be a great way to get a high bond yield. However, they are not without risk. An individual trader considering iron condor is advised to conduct further research and consider all risks before trading. Finally, considering that Iron condor strategy has inherent protection from losing your funds completely, it’s recommendable for beginners.

Covered Short Straddle

A straddle is an options trading system that allows traders to have a position in both a put option and a call option with the same exercise price and expiration date. This means that traders have the right to buy and sell a given currency pair at the same exchange rate and for the same period. Traders usually use this system if they do not have a clear view of the future direction of the currency pair in a certain period. However, they are convinced that the currency pair will move significantly.

When the currency pair finally picks up, traders can exercise their calling options and ignore their put options, and conversely. If a currency pair is eventually traded to the side until maturity, it will be disastrous for traders to implement this Forex options trading system. The reason is that both call options and put options do not cover the cost of the premiums they have to pay. Therefore, if you plan to implement this system, you should see a significant price movement regardless of direction. Below is a graphical representation of straddle strategy.

Graph 7



When an investor tries to gain from a bullish price momentum through writing calls and puts on a stock, then it is considered as a covered short straddle. In this condition, the trader is short on the same amount of call and put option with similar strike price and expiration date. This strategy can be used to gain on underlying security using bullish price expectation. It is easy to construct covered straddle on stocks trading, most especially those having huge volumes.

Covered short straddle works by selling a call and a put with the same strike price while possessing the underlying asset. However, it’s worth noting that a covered short straddle is not entirely covered because it has a short put. Consequently, investors may lose significant money if the underlying asset’s price falls greatly.

An Example of Covered Short Straddle

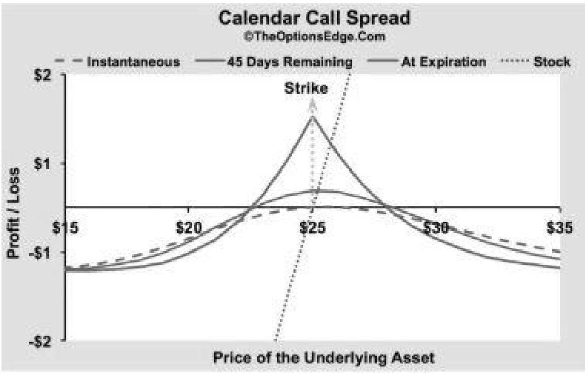
An investor needs to possess at least 100 shares of the underlying asset to utilize this strategy. The reason is that most options contracts are traded in 100 share lots. Once you own 100 shares, which feature an at-the-money value worth $100 per share, you can write both calls and puts with the money strike prices and the same expiration date. Considering that the strategy entails two initial short sales, it will have a net credit. Now, you sell ABC 100 call for $3.25 and sell ABC 100 put for $3.15. In a market condition where the stock remains stagnant, $6.40 will be the net credit. The call position will lose $1 while the put position will gain $1 for every $1 profit from the strike. Overall, everything ends in $0. Therefore, $6.40 is the maximum profit.

When the market condition favors a fall in stock price, the position can be high risk. Both the put and call positions may lose $1 each, totaling $2 loss. As a result, an investor will experience a net loss once the price reaches $100 minus a division of $6.40 by two. This will equal $96.80. For an experienced trader, covered short straddle is a recommendable option to trade.

Covered Short Strangle

A combination of an out-of-the-money short put and an out-of-the-money covered call is known as a covered short strangle. As the name suggests, this strategy is not entirely covered due to the short put. In this strategy, to meet the margin demands for the short put, a long stock position is often collateral. As an investor, you need to exhibit high-risk tolerance and trading discipline to use the covered strangle strategy due to fairly bullish predictions. Thus, a covered strangle method is mostly recommended for professional traders who have substantial experience in the game. You'll need a trading discipline to reduce losses – a strict guideline is even a welcome idea, most especially on closing positions if the market doesn't go according to plan. We recommend studying the graph and example below to understand the covered short strangle strategy better.

Graph 8



An Example of Covered Short Strangle

As a trader, you need to purchase – or own – stock and then sell both the out-of-the-money put and out-of-the-money call to create a covered strangle position. Also, the call and put will expires on the same date. You get to earn the maximum profit when the stock price is or beyond the short call's s trike price at the date of expiration. For instance, let's assume that you buy 100 shares XYZ stocks for $100, then sell 1 XYZ 105 call at $1.40. Also, you sell 1 XYZ 95 put at $1.20. In this case, $7.60 will be the maximum profit. You will get $2.60 (1.40 + 1.20) as the upper premiums, while the difference between the upper strike price and stock price gives $5. The sum of the two incomes gives $7.60 as maximum profit.

However, if the price of the stock falls below the lower strike price at expiration, the loss will be $2 a share for every $1 decline in stock price. The reason is that the long stock and the short put losses as the stock price falls.

Calendar Call Spread

When a trader simultaneously enters a short and long position on the same underlying security with the same strike price (but different delivery months), it is referred to as calendar spread. Some investors also call it horizontal, intra-market, time or inter-delivery spread.

The term calendar spread usually refers to a series of offers that include options with the same marked prices, shares, and other details, but with different expiration months. They can be done by any call (buyer) or rate (seller). When using calls, the strategy would be to purchase long-term calls and then record the same number of ATM or OTM calls for the same product for the same price in almost a month.

The basic idea is to sell time. The trader hopes that the share price will not change much before the expiration date. Because the time lag in options next month appears faster than other long-term options. Short-term options lose their value more quickly, while long-term options manage to stay close to the same amount. If the expiration options expire shortly, the trader can choose to keep long calls or write more calls and do it again.

In principle, options traders were the closest way to lose value as quickly as possible, while long-term options retain as much of their value as possible. The spread is a debit trade and must, therefore, be closed. The trader can't let it expire.

The maximum amount a trader can lose is the cost of trading - debit. The maximum amount a trader can make in a calendar margin is almost 100% debit. Although a 100% return is possible, they are rare. A 20-30% return is more common when trading is working correctly.

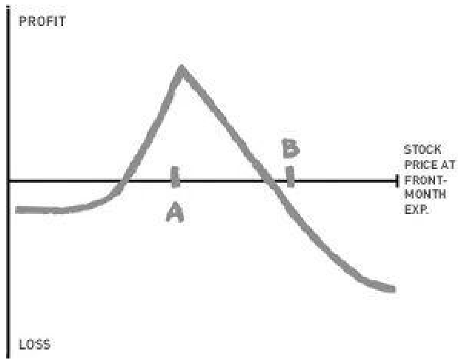
If the calendar does not work correctly and the underlying shares do not behave, it is necessary to adjust the trading. Several adjustments can be made, including converting the store to a double calendar or even a triple calendar.

Other types of spreads in the calendar include bullish calendar spreads (runs on a long free call), neutral calendar spreads (time lag with earnings), and calendar spread settings.

When you decide it's time to invest in another opportunity, as always, analyze your expectations (for the underlying asset or product) and the market. Depending on your findings and strategies, you can plan the next step. This conservative strategy can prove useful if you keep climbing the ladder of success.

The spread of the calendar is one of the main non-directional strategies that options traders use to make money in any market. They are used in low volatility environments if the stocks are not expected to move too much in the coming month. Depending on the length of trading and if the implied volatility of the options is expected to increase. Below is a graphical representation of how calendar call spread looks like.

Graph 9



Let’s consider a practical example;

The calendar range includes the purchase of a one-day option and the simultaneous sale of an option with the same exercise rate in the previous month for a fee.

Let's say IBM is $200 on February 1st. We could buy an April call for $4.00 and sell that March call for $3.00; net loss $1.00

Solution?

Short-term options (usually close to money) should be longer than long-term ones. We, therefore, expect that the March variant in the above example will accelerate faster and widen the gap between this option and the April values; and thus, the value of the position.

For example, let's say that on February 28th, IBM is still $200. The March call is estimated at approximately put $1.75, all straight; April calls for $3.00. Therefore, the spread increases to $1.25. This is because in March there was a decrease of 42%, but long-term in April it fell by only 25%.

Risk?

The main risk is that the underlying shares move too up or down. Note that in the examples above, we assumed that the stock would remain in cash at $200. And calendar spreads are very profitable if they stay in the money.

Unfortunately, the world is not like that, and let's look at the example above, if IBM, for example, switched to $220 on February 28th.

Our calling capabilities would reduce value. That April for $1.50 (instead of $3 in our example money). And March for $0.75 (instead of $1.75). The expansion of the schedule is now $0.75, which is a loss from our initial investment of $1.00. The same effect works if, for example, the stock drops to $180. A loss would follow.

The reason is that the time value in options decreases as the shares move further away from the money. Therefore, any time difference in absolute values (and thus the amount of the calendar spread) is further from the cash moving the stock.

Any Different Step to Take?

The subtler reason is volatility.

Assuming the above example, the implied volatility increases immediately after the first purchase, from about 15% to 25%. What would happen to our calendar distribution?

Well, an April 200 call, initially $4.00, would rise to $5.50. And a March call from $3.00 to $4.00. Therefore, our calendar call would increase from $1 to $1.50.

One of the reasons why we should use the calendar spread is if we think the implied volatility will increase.

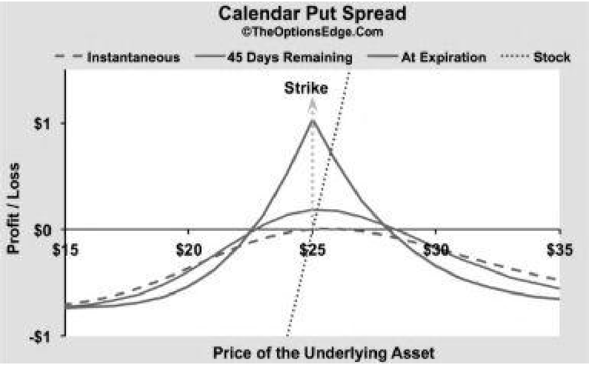
The risk, of course, is that it will fall.

Searching calendars is a great way to take advantage of "boring" low-volatility markets. Finally, this strategy is best recommended for an experienced options trader.

Diagonal Call Spread

A diagonal call is a spread that allows you to generate monthly income from the stock market and, at the same time, benefit from the strengthening or impairment of stocks. Here is a graphical representation of a diagonal call spread.

Graph 10



Okay, so how does it work? Just buy a variant that does not expire for many months. You will also sell an option that expires in the previous month.

Let's say you buy a call option for ten months at $12. Then you sell the call for the first month with a higher realization price for two months. You can be profitable.

Let's say you sell the first month of ten months each month. You earn $2 each month and sell a total of $20, which is excellent considering you paid $12 for calls and sold $20. If everything went well, it would be a profit of only 8 or 66% after just ten months.

If stock drops or you receive a call, you can easily buy the option you sold or sell the purchased option to reduce your losses.

The beautiful thing about diagonal call is that they allow you to make money when the stock also increases. Let's say the stock gives you a bullish signal for one month, and you think the stock will go up, and you can always decide not to sell the call this month.

This gives you a standard calling option that increases with stock prices and is likely to provide you with even more money than if you sold that option in a given month.

Because it's still possible to lose money with diagonal spread, you still need things like stop loss and managing risk. Having any strategy will significantly increase your chances. Advisably, only professional traders should consider utilizing diagonal call spread.

Calendar Put

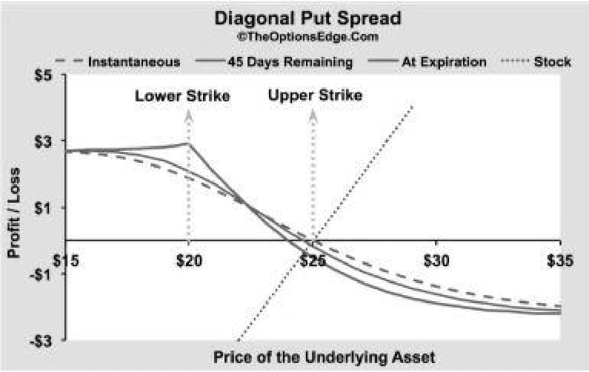
When an investor sells a near-term put contract, then purchase a second put with prolonged expiration, it is referred to as calendar put technique. It is simple enough for beginners and can be useful for the professionals. Most strategists apply calendar put when the long-term outlook is bearish, and the short-term outlook stands bullish or neutral. As an investor, you need the underlying price to shift higher or sideways in the subsequent six weeks and decline before the three months.

This options trading technique involves making a premium payment to begin the position provided the two options contracts possess a similar strike price. Essentially, put calendar benefits from time delay considering that the options hold the same strike. Thus, no intrinsic value is available to capture. A calendar put variant entails writing another short-term option contract roll the technique forward once the current term expires. From there, the trader can keep it until the underlying asset shifts considerably, or the expiration of the long-term option is due.

While the near-term option still exists, there will be a limited potential profit to a degree in which the near-term option reduces in value faster compared to the long-term option. However, after the near-term option's expiration, the strategy turns into a long put with substantial possible profit.

With all other things being equal, increased implied volatility will have a hugely positive impact on the method. Generally, a greater sensitivity to change in market volatility is usually seen with longer-term options. However, always remember that both long and near-term options may trade at the various implied level of volatility. Below is a graphical representation of how a calendar put strategy may appear.

Graph 11



An Example of Calendar Put Strategy

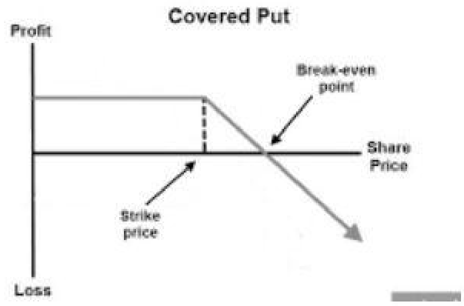
Suppose a trader purchased a 2-month put contract holding a strike price of $100 for $3. Then, he sold a 1-month put bearing the same strike price for $2. A difference between the strike price and the net premium received will give the maximum gain - $100 – ($3 - $2) = $99. In this case, $1 is the maximum loss.

However, if the stock trades at the strike price on the due date of the near-term option, the maximum gain occurs. The option will expire worthlessly, and the investor will have long put only. In a situation where the stock declines to zero prior to the due date, the investor can sell the stock for $100. Thus, a maximum gain of $99 will be realized.

Diagonal Put

A combination of a short calendar put spread, and vertical put spreads make up a diagonal put spread. Thus, this strategy often exhibits the attributes of both spreads. Among such attributes include directionally bearish and short volatility with minimal, zero, or positive time decay. The resultant time decay will depend on the selected expirations and strike price. Below is a graphical representation of the relationship between the strike price of the underlying asset and profit/loss in relation to the expiration date.

Graph 12



To use this strategy, you need to take a bearish position in stock using options. However, it's vital to take an approach with less time decay compared to a traditional vertical put spread. In comparison to long-dated options, short-dated ones usually decay faster. Consequently, a diagonal put spread possesses a less time decay compared to vertical put spread. However, the similarity between diagonal put spread and vertical put spread is that they utilize various strike prices to get a directional movement.

When you use a diagonal put spread, the maximum gain will be the difference between the higher strike and lower strike, then subtracted from the premium received. In a situation where the market goes against your strategy, the maximum loss will occur. This is when the price of the underlying asset reduces significantly that the value of the two options reaches zero. In such a situation, the premium paid upfront will end up as the loss. Also, you can experience a breakeven situation – this is a function of the longer-dated option's price at the due date of the shorter-date option. Here, the breakeven usually lies somewhere under the strike of the higher strike option. Finally, considering that diagonal put strategy demands the knowledge of vertical put spread and calendar put spread, it's best recommended for the professional options trader.

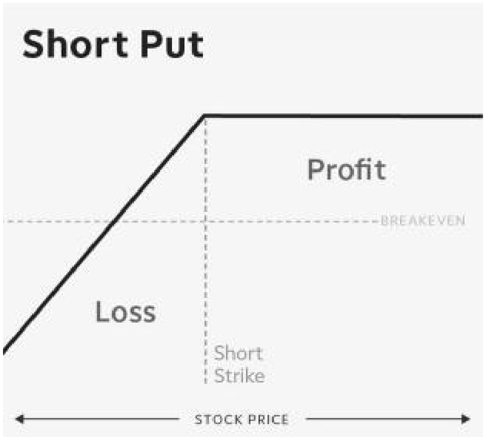
Covered Put

When an investor shorts an underlying asset, then sell a put option on the same number of shares, then he/she has performed a covered put strategy. In this way, the investor will earn income through premium for writing the put option. By writing the put option, the strategy gets a net credit. In a condition where the stock price on the expiration date is higher than the put options price, the option will expire without any worth. However, if the stock price is below the put strike price, the investor has to purchase the option back.

This strategy is ideally used during a bearish or neutral market, most especially when the investor believes that the price of the underlying asset will drop considerably. In this condition, the trader can write a put option on the underlying option to earn a profit while possessing a short position on the same asset. But if the underlying asset's price rises, the trader will lose greatly. Covered put strategy holds a limited profit profile. This is because the profit is restricted to the premium received for writing the put option. Thus, the major cons of the covered put strategy include unlimited risk and limited profit.

For this reason, traders who are sure that price will remain stable or drop are best advised to use a covered put strategy. Hence, if you are not a professional trader, keep off using a covered put strategy until you become a pro. Below is a graphical representation of a covered put stra tegy in options trading market.

Graph 13



An Example of Covered Put Strategy

Suppose NIFTY trades at 5200 points in the current market. Then an investor believes that the price will drop marginally. In this case, when the trader shorts one NIFTY future, write one at-the-money put option for 5200 at a premium of $100, and then he/she has established a covered put strategy. Assuming that the lot size is 50, below are the three possible situations:

Situation 1: Covered put will bring gain if NIFTY closes at a price less than the current price, for instance, 5000. A profit of $200 will be generated by the short position (5200 – 5000 = 200). But the trader has to exercise the put option and accrue a loss of $200. The reason is that the investor needs to repurchase the put option. However, the trader will receive a premium of $100. Therefore, the net profit will be 200-200+100 = 100 multiplied by 50 = $5000. Without executing the covered put, the profit would make a profit of $10,000 (5200 – 5000 = $200 multiplied by 50 = $10,000).

Situation 2: If the price of NIFTY stays at 5000, the investor will make a $0 profit and receive $100 as the premium. Here, $5000 will be the total profit - $100 multiplied by 50 = $5000.

Situation 3: Here, assuming NIFTY ends up with a higher price, for instance, 5400. The strategy will end up in a loss. 5400 – 5200 = $200 with a premium of $100 for the investor. Now, the net loss will be - $100, (- 200 + 100 = -100). Eventually, the grand loss will be $5000 (100 multiplied by 50). As the stock price increases, the loss will also continue to rise. However, if the investor didn't use covered put, it would have stopped at $10,000 (5400 – 5200 = $200 multiplied 50 = $10,000).

CHAPTER 6

BONUS STRATEGIES

In this chapter, I'll be discussing some other strategies that might come handy as you progress in your options trading journey. While you may not acknowledge their value as a beginner, you'll realize how effective they could be in the long run. The bonus strategies are as follows:

Vertical spread - vertical option

When option traders or investors participate in diversification strategies, they often work with a vertical margin.

Each spread is created when a person buys and sells call options for the same shares or buys and sells equal shares.

The vertical or price spread gets its name according to the vertical price movement. In this option strategy, the exercise prices are different, but the months are the same.

Vertical vs. horizontal

The horizontal margin is when the exercise prices are the same, but the months are different. They are also called calendar items. The vertical strategy is the opposite. The months are the same, but th e exercise prices of the options are different.

The strategy behind this is to make money from the p otential for a difference in sales prices. If a premium profit has been achieved, all spreads fall in premiums versus business or operating potential. The verticals can be credit or debit.

Dissemination of Debits

If a margin is created and the investor loses bonuses (more money was spent on buying and then selling), it is a debit dollar. Because money has been l ost on options, the investor will lose money if the option expires worthless (which is possible). The only way an owner can use a debit margin is to spread or exercise options. The spread concerns the fact that premiums are rising, and contracts are valuable enough for later trading. The vertical debit margin tells the trader that these contracts must be traded or applied at a profit.

If a spread is created and the investor has earned money from the premium, it is a credit spread. The profit here is based on the possibilities that expire worthlessly and on the person who awards the prize as his maximum profit. A vertical credit spread is a strategy that does not work when applying these options. Betting prices would withdraw - too high.

Examples:

Buy 1 WEF 60 October Call for $500

WEF Card October 1 70 Call for $200

This is a vertical or price range because realization prices vary. It is also a refund because the premium led to a loss of $300. This case is a bullish margin because the trader needs the market to grow in the hope that the opportunities will be realized. A buy call gives him the right to buy shares for 60, and a short call is required to sell shares for 70. This potential gain of 10 points per share is why everyone would create a vertical debit margin. If the options expire, the maximum loss is $300.

Buy 1 GHF on April 30 and call for $600

GHF 1 Card April 20 Call for $900

It is a price, vertical margin, and a credit margin. It is also bearish. Betting prices are not attractive to this investor, as they will lose 10 points if applied. The goal is to reduce stock and expire vertical options. The credit spread is always bearish.

There are different types of variant strategies. To this end, I will divide them into two main groups: directional strategies and non-directional strategies. In this book, I will discuss a non-directional trading strategy - a short vertical margin.

I still think most of the options are traded in that direction, although I may be wrong. They look at the stock card to determine where the stock is likely to go, then buy accordingly. Here is the problem. Directional sellers only make money if the value of the options purchased increases, and there are three conditions. It must be precisely in (i) the direction of the supply; (ii) timing; and (iii) the volatility forecast.

Given these three elements, evaluating potential directional trading opportunities may seem like a ridiculous task for barter traders.

For those who prefer less work, they may consider using non-directional strategies. What do I mean? If we are bullish on the stock market, we can sell a vertical margin instead of buying a call. To create this range, we sell a well with a higher stroke and buy another put for a lower stroke with the same expiration month. The premium we collect from the supplier is higher than the premium we pay for the section. As a result, we receive net credit, and therefore this spread is also referred to as a credit advantage. This means that we must understand that there is no free lunch. The credit spread is not a risk-free trading. Let me illustrate this with the following example.

XYZ (a hypothetical company) currently trades at $150 per share. Tom (a speculative trader) created a vertical cast through expansion and by selling 140 puts and buying 135 puts with the same expiration month. Let's say the net credit Tom gets is $100. To determine the risks and benefits of this transaction:

The maximum reward is $100 because this is the net credit Tom has received.

The maximum risk is $400 because it is represented by the difference between the bets ($5) x 100 minus the net credit ($100).

As you can see, this transaction has risks. If Tom is entirely wrong, his maximum exposure is $400 per option contract.

Another essential feature of this strategy is that the sum of the maximum reward. And the maximum risk is always equal to the difference between the bets multiplied by 100. If the net credit received by Tom is $200, his maximum risk is $300. If the credit Tom gets is $50; his maximum risk is $450.

How does Tom make money from this transaction? At best, Tom can keep his credit if both feet expire at the end of the capital. This is when XYZ remains above $140 after expiration. Because XYZ currently trades for $150, Tom can make money if the stock rises or moves sideways. Even if XYZ fell a little, Tom would still be making money, provided the share expires after $140.

While this may seem attractive to you, the real challenge is trading management. As you can see in the example above, the maximum risk of this strategy is higher than net credit because it has a higher theoretical chance of making money. We cannot afford to bear the maximum likelihood ($400 in our case). This is because even if we were to earn $100 for the next four trades, we would not break even after completing a total of 5 trades.

Volatility Strategies

Trading options is more than just being bullish or bearish or market neutral. There’s volatility, limitations on capital, as well as stronger or weaker directional biases. Whatever the scenario, you have the choice of a logical option strategy that can be risk-defined, capital-effective, and/or have a higher probability of profit than simply buying or shorting stock.

By sorting each strategy into buckets covering each potential combination of these three variables, you can create a handy reference guide. You could even print it out and tape it to your wall. Doing so might help you run through the process of making speedy trading decisions should you need or if warranted.

We’ll help you get started with this list of strategies designed for a high-volatility market environment. Endeavor to notice how most of them are composed of the basic vertical and calendar spreads. As you review them, keep in mind that there are no guarantees with these strategies. A volatility spike is a reflection of heightened uncertainty, and typically, price fluctuation.

Strategies for High-Volatility Markets

Typically, high volatility means higher option prices, which you can try to take advantage of with short premium strategies. High volatility lets you find option strikes that ar e further out-of-the-money (OTM), which may offer high probabilities of expiring worthless and potentially higher returns on capital. Pushing short options further OTM also means that strategies have more room for the stock price to move against them before they begin to lose money. Here are a few bullish, bearish, and neutral strategies designed for high-volatility scenarios.

Bullish Strategy No. 1: Short Naked Put

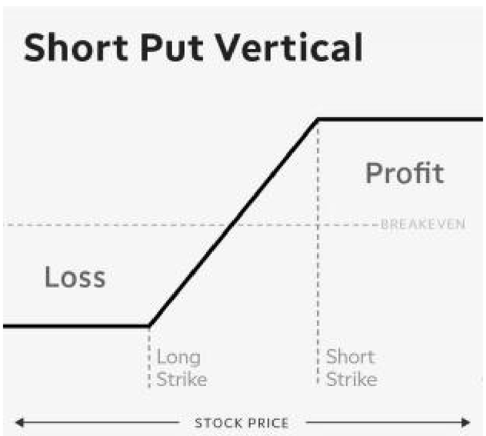
STRUCTURE: Sell put

CAPITAL REQUIREMENT: Higher

RISK: Technically defined, since a stock can go all the way to zero, but no lower. So while it's defined, zero can be a long way down.

Those with an interest in this strategy could consider looking for OTM options that have a high probability of expiring worthless and high return on capital. Capital requirements are higher for high-priced stocks; lower for low-priced stocks. Account size may determine whether you can do the trade or not. Many traders may look for expiration in the short premium “sweet spot,” typically between 20 and 50 days out, depending on the level of implied volatility, upcoming news or company announcements, among other factors. Targeting the sweet spot aims to balance growing positive time decay with still-high extrinsic value. Choose a stock you’re comfortable owning if the stock drops and short put is assigned. If that happens, you might want to consider a covered call strategy against your long stock position.

Graph 1



Bullish Strategy No. 2: Short OTM Put Vertical

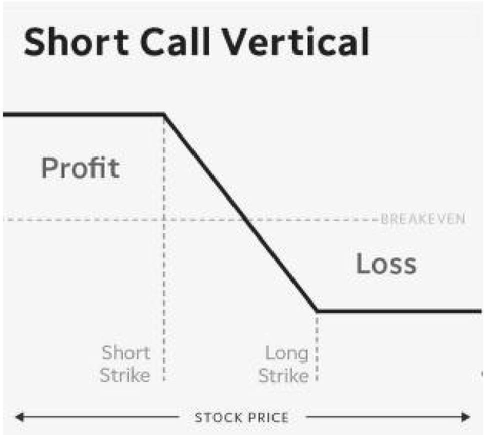
STRUCTURE: Sell put, buy lower-strike put of same expiration.

CAPITAL REQUIREMENT: Lower; depends on difference between strikes

RISK: Defined.

Traders consider using this strategy when the capital requirement of short put is too high for an account, or if defined risk is preferred. Traders might target credit for a short vertical around 1/3 of the width of the strikes (i.e. $0.33 if the strikes are $1 apart). Traders commonly consider looking for expiration in the short premium “sweet spot,” again, typically around 20 to 50 days out. Some traders create a short OTM put vertical by looking for OTM put that has high probability (perhaps 65-70%) of expiring worthless, then look at buying further OTM put to try to get the target credit, typically one or two more strikes OTM.

Graph 2



Bearish Strategy No. 1: Short OTM Call Vertical

STRUCTURE: Sell call, buy higher-strike call of same expiration.

CAPITAL REQUIREMENT: Lower, but depends on difference between strikes

RISK: Defined.

Some traders look to target the credit of the trade at 30% of the difference between strikes (i.e. $0.30 if the strikes are $1 apart). Consider looking for expiration in the “sweet spot,” typically between 20 to 50 days out. Create by looking for an OTM call that has a high probability of expiring worthless (again, perhaps 65-70%), then look at buying a further OTM call to try to get the target credit, typically one or two strikes further OTM.

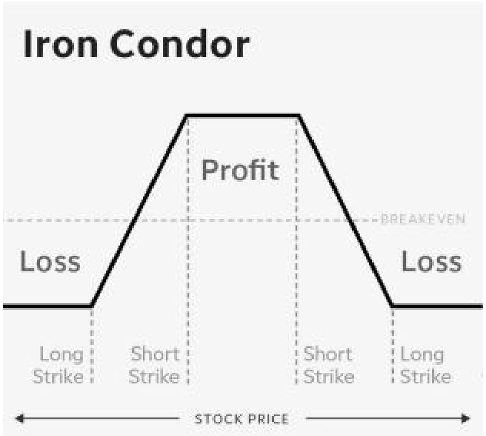
Graph 3

Bearish Strategy No. 2: Long Unbalanced Call Butterfly

STRUCTURE: Buy 1 call, sell 3 higher-strike calls, buy 2 higher-strike calls; strikes equidistant.
CAPITAL REQUIREMENT: Lower; depends on difference between long and short strikes
RISK: Defined.

Combination of a short OTM call vertical and long at-the-money (ATM) or slightly OTM call butterfly. This should be a credit spread, where the credit from the short vertical offsets the debit of the butterfly. This is not aggressively bearish, as max profit is achieved if stock is at short strike of embedded butterfly. But if an unbalanced call butterfly is initiated for a credit, it should not lose money if the stock drops and the options in the position expires worthless.

Graph 4



Neutral Strategy No. 1: Iron Condor

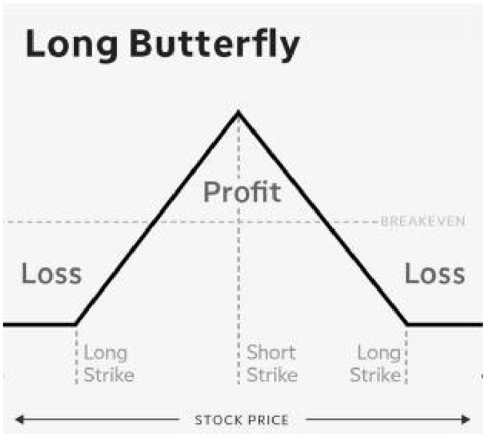
STRUCTURE: Sell lower-strike put vertical, sell higher-strike call vertical; distance between long and short strikes same.

CAPITAL REQUIREMENT: Lower; depends on difference between strikes

RISK: Defined.

Consider targeting the credit to a fixed percentage of the trade, such as 40% of the difference between long and short strikes (i.e. $0.80 or higher in a $2-wide iron condor). Traders generally look for expiration in what some consider to be the short premium “sweet spot,” typically between 20 and 50 days out, to balance growing positive time decay with still-high extrinsic value. Higher volatility lets you find further OTM calls and puts that have high probability of expiring worthless but with high premium. Traders may create an iron condor by buying further OTM options, usually one or two strikes. You might not want to put it on for too small of a credit no matter how high the probability, as commissions on 4 legs can sometimes eat up most of potential profit.

Graph 5



Neutral Strategy No. 2: Long ATM Call or Put Butterfly

STRUCTURE: Buy 1 lower-strike option, sell 2 higher-strike options, buy 1 higher-strike option; all calls or puts, all strikes equidistant.

CAPITAL REQUIREMENT: Lower

RISK: Defined.

Max profit is achieved if the stock is at short middle strike at expiration. Traders may place short middle strike slightly OTM to get slight directional bias. The probability of profit is usually under 50% due to the narrow profit range of a long butterfly. High volatility keeps the value of ATM butterflies lower. Butterflies expand in value most rapidly as expiration approaches, so traders may look at options that expire in 14 to 21 days. Short gamma increases dramatically at expiration (i.e., increases the magnitude of the options change in value) if the stock is at the short strike. Consider taking profit, if available, ahead of expiration to avoid butterfly turning into a loser from a last-minute price swing.

Graph 6


I am rubber you are glue, whatever you say bounces off me and sticks to you!
Ranging

Range-bound Strategy

Before delving into rangebound strategy, it's important that you understand the meaning of range-bound market. A range-bound market is one in which price bounces in between a specific high price and a low price. The high price acts as a major resistance level in which price can't seem to break through.

Likewise, the low price acts as a major support level in which price can't seem to break as well. The market movement could be classified as horizontal, ranging, or sideways.

Graph 7

It's also known as a "choppy market" or simply as "being choppy." A choppy market is the opposite of a trending market. Kind of like choppy waves in the ocean. In a choppy market, there is no clear direction, and the price just "chops around" or "chops up and down" and trades within a very narrow range.

Trend traders tend to get "chopped up" in choppy markets.

ADX in a Ranging Market

One way to determine if the market is ranging is to use ADX. It's an oscillator index and it is typically used to identify whether the market is ranging or starting a new trend.

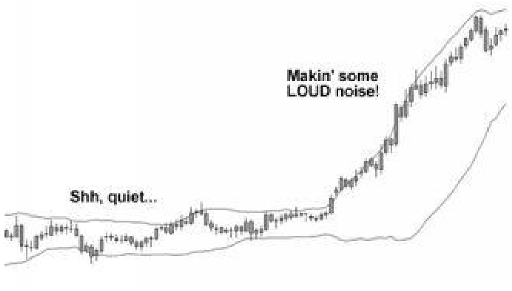
ADX fluctuates from **0 to 100**, with readings **below 20** indicating a weak trend and readings **above 50** signaling a strong trend (when you're using the ADX indicator, keep an eye on the 20 and 40 as key levels).

The ADX calculation can be complicated, but in a nutshell, the stronger the trend, the higher ADX goes.

When the ADX is lo w, it highlights periods when the price is usually going sideways or trading in a range.

A market is said to be ranging when the ADX is below 25. Remember, as the value of the ADX diminishes, the weaker trend is.

Graph 8



Bollinger Bands in a Ranging Market

Bollinger Bands is another indicator to measure market's volatility. When the market is quiet, the bands contract and when the market is loud, the bands expand.

Graph 9

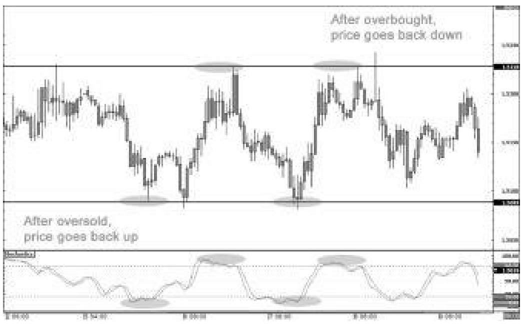
In essence, Bollinger Bands contract when there is less volatility in the market and expand when there is more volatility.

Because of that, Bollinger Bands provide a good tool for breakout strategies.

When the bands are thin and contracted, volatility is low and there should be little movement of price in one direction.

However, when bands start to expand, volatility is increasing and more movement of price in one direction is likely.

Graph 10



Generally, range trading environments will contain somewhat narrow bands compared to wide bands and form horizontally.

In this case, we can see that the Bollinger Bands are contracted, as the price is just moving within a tight range.

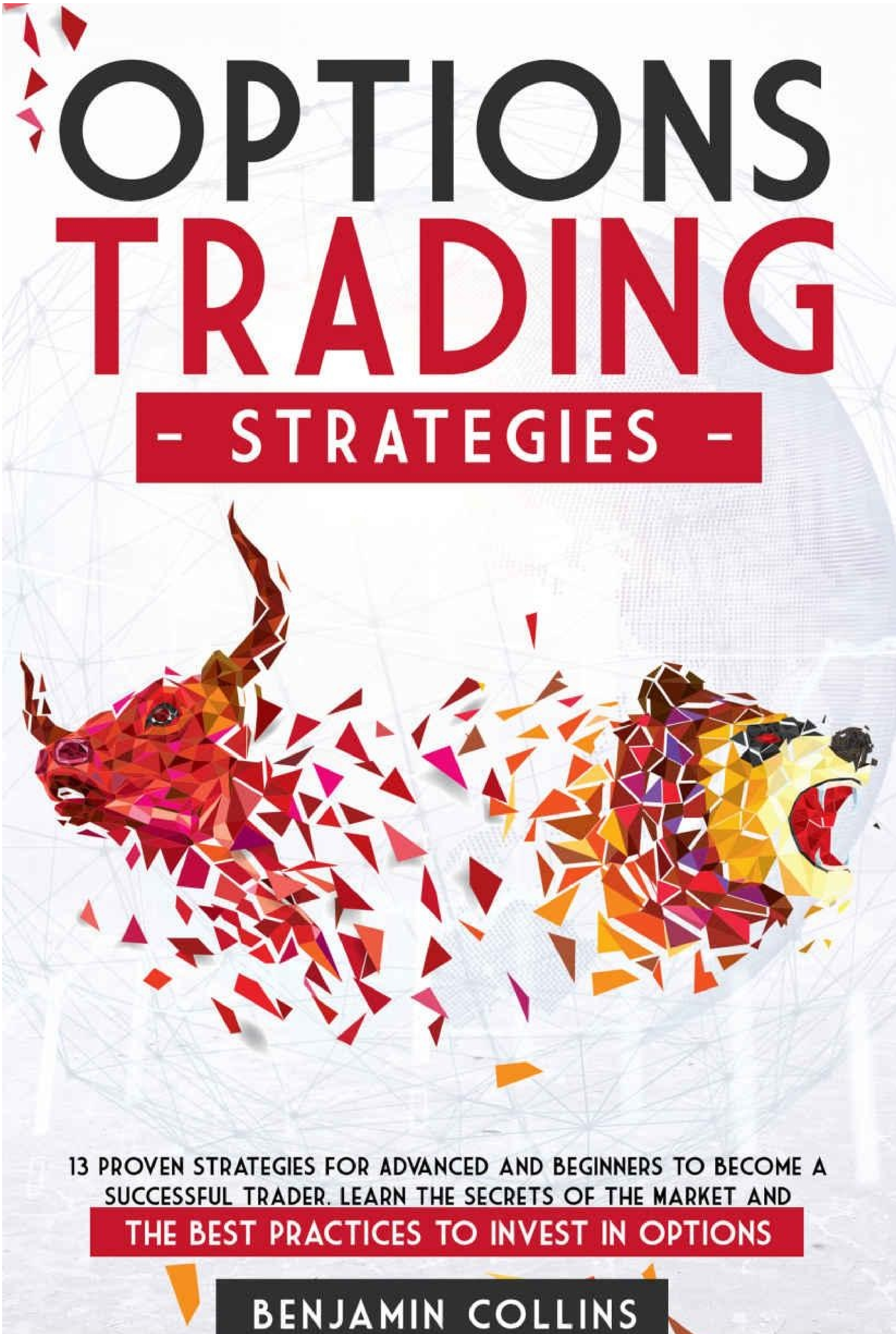
The basic idea of a range-bound strategy is that a currency pair has a high and low price that it normally trades between.

By buying near the low price, the forex trader is hoping to take profit around the high price. By selling near the high price, the trader is hoping to take profit around the low price. Popular tools to use are channels such as the one shown above and Bollinger Bands.

Using oscillators, like Stochastic or RSI will help increase the odds of you finding a turning point in a range as they can identify potentially oversold and overbought conditions.

Here’s an example using GBP/USD.

Graph 11



Bonus Tip: The best pairs for trading range-bound strategies are currency crosses. By crosses, we mean those pairs that do not include the USD as one of the currencies in the pair.

One of the most well-known currency pair for trading ranges is the EUR/CHF.

The similar growth rates shared by the European Union, and Switzerland pretty much keep the exchange rate of the EUR/CHF stable. Another Pair might be AUD/NZD

Whether you're trading a pair that's in a trending or ranging environment, you should take comfort in knowing that you can profit whatever the case may be. Find out how you can pick tops and bottoms in both trending and ranging market environments.

By knowing what a trending environment and a range-bound environment are and what they look like, you'll be able to employ a specific strategy for each.

As the old wise man in Central Park says, "Only a fool dips his cookies in habanero salsa!"

Leveraged Strategy

Buying options contracts allows you to control a greater amount of the underlying security, such as stocks, then you could actually trade the stocks themselves. Put simply, if you had a certain amount of capital to invest then you can create the potential for far higher profits through buying options than you could through buying stocks.

This is essentially because the cost of options contracts is typically much lower than the cost of their underlying security, and yet you can benefit from price movements in the underlying security in the same way.

Let’s assume that you had $1,000 to invest, and you wished to invest in Company X stock because you believed it was going to increase in price. If Company X stock was trading at $20, then you can purchase 50 shares in Company X with your $1,000. If the stock goes up in value, then you will be able to sell those shares for a profit. For example, if they went up by $5 to $25 then you could sell them at $5 profit per share for a total profit of $250 (not accounting for any commissions on your trades).

Now let’s assume you decided to invest in call options on Company X Stock, trading at $2, with a strike price of $20. If the contract size was 100 you can buy five contracts at $200 each: meaning you effectively have control over 500 shares in Company X (5 contracts, each covering 100 shares). This would mean that using your $1,000 to buy options has given you control of 10 times as many shares as using your $1,000 to directly buy shares at $20 a time. With the price of Company X going up to $25, you will make a lot more money through selling your options at a profit than the $250 you will make in the example above.

That is essentially the principle of how leverage in options trading works, in very simple terms. This should illustrate why it's possible to make significant profits without necessarily needing a lot of starting capital; which in turn is why so many investors choose to trade options. To truly understand leverage in greater detail, you need to understand how it's calculated, which we have explained below.

How to calculate Leverage

The examples given above of how investing $1,000 directly in Company X stock compares to investing $1,000 in call options on Company X stock, shows that buying options gave you control of 10 times as many shares. A common misconception is that the leverage factor is then ten and you would therefore make ten times as much money. However, that isn't actually the case.

The price of opt ions contracts actually only moves a fraction of the amount that the price of the underlying security moves by. Just because the underlying stock goes up by $5 in the above example doesn’t necessarily mean that the corresponding contracts also go up by $5. To understand how the price of options move in relation to the underlying security, you should be familiar with moneyness and how that affects one of the options Greeks: delta value.

The moneyness of options contracts relates to how much theoretical profit is currently built-in to those contracts. There are three states of moneyness: in-the-money, at-the-money, and out-of-the-money.

In the money means the strike price is favorable compared to the price of the underlying security: i.e. call options where the strike price is lower than the price of the underlying security are in-the-money options because there's effectively some built in profit. At-the-money contracts are where the strike price is equal to the price of the underlying security, and out of the money contracts are where the strike price is unfavorable compared to the price of the underlying security.

The Delta value of an option is the ratio at which the price of the contract moves compared to the price of the underlying security. For example, the price of a contract with a delta value of 0.6 would move $.60 for every $1.00 move in the price of the underlying security.

In-the-money options contracts typically have a higher delta value than at-the-money contracts; they usually have a higher delta value than out-of-the money contracts. Once you understand all this, it's actually relatively straightforward to calculate leverage and determine how you want to use it when trading. The calculation for leverage is as follows:

(Delta Value of Option x Price of Underlying Security) / Price of Option

Let’s go back to the example we used above, where you were buying at the money call options on Company X stock at $2 with a strike price of $20 and Company X stock was trading at $20. Assuming these contracts had a delta value of .5, the leverage would be calculated as follows:

Delta Value (.5) x Price of Underlying Security ($20) = 10

Divided by the Price of Option ($2) = 5

Therefore the leverage factor of these options contracts is 5, allowing you to make five times as much profit through buying options contracts as you would through buying the stock. Of course, this assumes that the stock does increase in price and the flip side to leverage is that it also multiplies potential losses too.

Basically, the higher the leverage factor, the greater the hypotetical profits, but the greater the potential losses.

The skill to use and dominate leverage to multiply hypotetical profits is an incredible advantage that trading options offers over trading many other financial instruments. However, it's important to recognize the increased risk that comes with using leverage.

Before you begin trading options you should understand how to calculate the leverage of taking any given position by using the delta value. You should also be aware of the role that moneyness plays in leverage and that out of the money contracts will have the highest leverage, followed by at-the-money options. While in-the-money contracts have the lowest leverage.

Synthetic Strategy

We use the protection option to protect cash, futures, or stock positions. Protective ability serves to protect against sudden falls or jumps. Still, with a little more imagination, an opportunity can be sold in any place to generate income to increase the overall profit of the position.

Sale of a Synthetic Option

This strategy is a bit advanced because there are three moving parts, but it's another way to start the covered position of an option, so it's important to expose yourself to this idea. As we know, the synthetic option is a combination of the "for money" option and the futures, spot, or cash market.

Whether you go long or short, the purchased protection option is protected against any risk of loss.

There is no hard and fast rule that the position covered by the option should only be futures, spot, or cash. You can even add another option to the mix. The option can be sold for money, a few points from the option of synthetic protection. If the position works in favor of the underlying asset, it is added to the total profit of the extra premium. If the position fails, the protection option will cover any price range that may appear in the option sold. You give up the benefits of any movement in the market towards your position. But at the same time, you have a way to use your opportunity to protect or at least pay for part or all.

Sell the Option for a Collar.

The nature of the collar is based on the concept of "covered opportunities" and synthetic options combined. Although the option sold is a remote option "out of money," if the exercise price is interrupted, the underlying asset immediately becomes a hedged item.

However, the fact that a synthetic option is a significant component of a collar means that the option can be sold over the option purchased and also generate a small extra income.

Sales preferences can be a difficult offer. Myths, such as the belief that 80 to 90 percent of options are worthless, do more harm than good when they make an informed decision to sell options. Also, the impact that margin rules have on the ability to trade options, plus the effects that volatility has on choosing the right sale option, it makes easy to see that selling options in the wrong hands can be catastrophic.

Opportunities require a healthy dose of respect and discipline. If the option is considered to have unlimited losses, appropriate measures may be taken to minimize or eliminate that loss. Proper precautions may mean that the option is sold on futures or in a spot position, the option sold is tied to the tail of a synthetic option or is aggressive with an uneven or suffocated position. As long as the trader is willing to step out of sales opportunities, his liabilities may become assets over time.

As with all present strategies, the goal is to give you control over how you communicate with the market. Whether it's a combination of tools to make the changes work for you, or avoid this strategy, be it. Finally, they will also introduce you to sales opportunities; this is how exactly to use them in your industry. This strategy is only a means to increase profits combined with reduced risk. If you don't see the opportunity, don't force it. Let it flow.

The two strategies for using options, such as hard stop or using options, such as hedging, differ from a synthetic option due to one factor that uses a money option. Withdrawing money is an important part. While it may be more expensive to buy an option for cash, it provides the maximum necessary protection for long or short positions.

Greeks and t he Synthetic Option

There is constant stress from the Greeks in dealing with the standard option. Delta evaluates how much the value of the option moves relative to the base value. How successful this option is will rarely range from a pounds to dollar with the underlying asset. This is not a problem with synthetic settings. Because one side of the synthetic option is active, the delta is not a factor when the synthetic option goes into money.

The Greek theta value measures the remaining time value by default. Because options have a limited time before they expire, the more time you have until they expire, the more valuable they can be regardless of the strike price. As each day approaches the expiration date, the time value erodes, and the setting decreases in proportion to the remaining time. The synthetic option allows you to delete the time value completely. If one part of the synthetic option is a stock exchange, a spot forex contract, or a bargaining agreement (CFD), there are no time limits on when to leave the deal or how often to return the contract. Therefore, there is no built-in value of time that one would lose in one's position.

Finally, a third Greek Vega component was created, which measures the implied volatility. It estimates how much the option price will increase or decrease depending on the demand of the institution. Understanding and using Vega is excellent when deciding which strike to buy for an option. Volatility is all about trading options. Lack of volatility at every opportunity can be so detrimental that even a successful strike price is worthless because no one is interested in buying it.

Vega does not affect synthetic settings. There is no secondary market with volatility that can be monitored. If the market grows, your synthetic long position will gain value; As the market declines, your synthetic short position increases in value.

Delta, theta, and Vega are just some of the Greeks that affect pricing options. There are other Greeks who are also religiously followed by traders who buy and sell options. None of these Greek calculations are directly related to the synthetic position of the option. Any attempt to follow the Greeks as a synthetic alternative will be a waste of time.

CHAPTER 7

EXIT STRATEGIES TO CAPTURE PROFITS RELIABLY

How many times have you turned unrealized gains into losses? If this happens to you, you may need to learn how to implement your exit strategy reliably. There is an old saying: "Never make a profit at a loss." This simple rule is always so crucial for successful trading.

Unless you always implement a reliable exit strategy, your trading success is far from what it could or should be. Your profitability is unreliable. You increase your chances of success against yourself. This can lead to a more significant loss, dissatisfaction with trading performance, and even distrust.

Why You Need an Exit Strategy

By reliably applying your exit strategy to each trade, several of your trades will be profitable. Your winnings are usually more substantial. Over time, you become more successful. And for losing trades, your losses are generally smaller. Emotions will no longer pollute your decision. And you will never allow unrealized gains to become losses.

You need to have complete confidence in your exit strategy. Because if you trust my exit strategy, it is psychologically easy to implement it into every transaction automatically. You should never experience doubt, confusion, or hesitation.

Three Phases of the Transaction

Each transaction has three phases: input, knowledge, and go out. Each step has an exit strategy. Your trade will be more successful if you let the profit run, and the losses will be reduced. It means that you should always determine where your prognosis is bad before opening a position. As soon as your prediction turns out to be incorrect, close your position immediately. Leave what's left. You no longer have a reason to stay in this store.

Stop-loss determines when a trade needs to be closed. I use three-loss methods, one for each phase of my trades:

- Loss of input loss, set before opening the position;
- Loss of rear brake, set if the trade moves in my favor and
- Profit stop loss gain profit after reaching my waypoint.

Before opening my position, I always set a loss. I put it one percent below the recent strong swing on the daily stock price chart for bull trades. If the stock creates an everyday closing price during this loss of income, I will leave in the morning. My prediction was wrong: stocks are falling, not up.

If the stock rises as expected and does not stop when entering at the entry-level, I will increase the rear stop losses by one percent in the event of subsequent damages due to fluctuations. I was just rattling them. The ratchet effect reduces potential losses and blocks profits. My stops are also due to the daily closing price. The next day, each regular closing price is activated in the event of another loss of a stop.

Your Business Waypoint

You should also estimate where you reasonabl y expect the stock price to go. You need to decide in advance how to close your trade to maximize your profit when you reach your waypoint. Once th e transaction reaches your waypoint, implement your exit strategy with strict discipline. It is not a good idea to simply end a trade when you reach your point on the route. It is better to stay in the trade as long as it continues in your favor.

However, you should leave your trading at the first sign that the market poses an unrealized risk of your unrealized profits.

When I reach my waypoints, I use much stricter termination criteria that make it easier to activate the output. After start-up, stocks are reduced rather than continued. I'll just stay in the box while stocks keep growing. Every day I move my surplus to the intraday layer. As soon as the shares are trading below yesterday 's minimum, I will immediately leave as at. By definition, stocks fell. At this point, the population is more likely to continue to shrink than to keep.

Adjust Your Excessive Losses

The market provides a lot of advice that your unrealized profit is at increased risk. Profit losses cease to threaten unrealized gains. You can use one or more of the following criteria to make a profit. You can stop:

- As soon as the share price turns towards you;
- As more quickly as the trend line breaks;
- As more quickly as price support is interrupted; or,
- As more quickly as a simple moving average breaks.

Each of these terms warns you that your trade is likely to start. And that your unrealized gains are more likely to be at risk. If all these criteria are met: you must close the course permanently!

In addition to this standard procedure, I will be able to override other stop-loss strategies based on the pricing model, indices, options, and time. In the bear, I'm just about the process.

This way, you manage your Exits Strategy. You can make profits and reduce losses. And that should keep you from turning unrealized gains into losses.

The identification of exits falls into the category of the trading system; exits must be located in meaningful places on the market-determined by support and resistance. However, it is always essential to determine the initial output before starting a transaction. And then you have to leave the trade when the stop asks you to.

1. Order to lose the first stop

The goal of the first step is to get you out of the trade if the trade goes wrong at the beginning of the operation. In general, many systems have both a first and a rear stop, but the rear stop may not be known until certain conditions are met.

The ideal first stop should also allow for a "breathing space," but not so large that the trader can take excessive risk.

Use a strategy to stop the loss based on market price, critical levels of support, or some level of retracement.

2. Break-even stop is another common exit strategy.

Loss of clues can be shifted to the entry price when the market moves in your favor is one way to secure a winning trade before using reverse cessation strategies. This method is widely used and popular because it reduces anxiety in trading.

3. Use the backstop to capture profits when the market moves in favor of traders

There are many reversal strategies to choose from. A fundamental exit strategy is two steps. The highest or lowest of the last two measures are the levels to which the trader must shift his stop loss to secure earnings. This strategy is excellent for trading within a day or when a trader expects the market to move to a consolidation sentence.

4. For emotional reasons, do not move the stop.

This is the rule, and I would like to add a comment on this topic with exit strategies because it is the number one rule to follow. Acting according to plan and sticking to plan excludes emotions. This rule ensures that exit strategies serve their purpose, and traders can reap the benefits.

5. Apply timeout

Most trading systems would terminate trade before a significant economic event, such as the payment of non-agricultural farms. A time stop is used to stop trading before this reporting event to prevent market fluctuations. Market volatility risk decreases with delay.

Each time you enter trading of any kind, you must first make sure that your exit strategy is planned, regardless of whether the trade ends in a winner or a loser. Knowing how to manage your trading and the right exit strategy are the most critical aspects of trading in the market.

Options trading, like any other type of trading, requires careful planning and execution. I could say that every day you have some kind of participation in the market. We are all in the business. As a trader, it is easy to enter and leave the market at the touch of a button. But once you're inside, do you mean a clear exit strategy?

Trading is like a business that requires planning with strategies that show that you want to grow your business. In trading, a solid business plan is necessary for successful trading. Blinding in the market is just a sign that you are speculating or "rushing" to see which direction you are heading. Like all plans, you need the right approach and an even better exit strategy.

What do you do when your trade goes bad? Can you find a way to save what's left, or will you just let go when you think the market can recover? Most of us can choose the first opportunity to try to keep what we can and therefore propose a strategy to save the current situation. At that point, it may be too late, because all planning must take place before starting a trade. Depending on the trade, you should have a good exit strategy that complements your trading strategy and timing. In short time frames, such as 5-15 minutes, an exit strategy must be planned before executing a trade, because you do not have time to think about your termination. If you have 1 hour - 4 hours, you have much more time, and you can still afford to come up with your exit strategy.

In professional trading, these "professionals" always have in mind an entry and exit strategy after analyzing market conditions and only need to follow their plan. They emphasized the balanced conduct of trade and already favored entry or exit. Both are equally important to them.

So, if you are like most beginners who believe that with all the exact entry points you can achieve an individual winner, then I am amazed at the result. I came across several "safe winners" based precisely on entry points, but it turned out that I was a massive loss due to the inability to leave at the right time. Think about it every time you trade with a clear exit strategy.

CHAPTER 8

OPTIONS TRADING SOFTWARE

Trading stock options is probably one of the most financially worthwhile endeavors one should try. However, it also carries many risks. The risk of losing a lot of money on the stock market is an integral part of the entire trading package. You have to accept that before you start thinking about trading.

However, with technological advances, options trading software is available that can drastically reduce the risk you take during trading while increasing your profits. If you plan to trade stocks, this is one of the reasons why you should hire options trading software as part of your trading strategy:

In general, high accuracy and precision in trading decisions.

Optional software helps you make critical decisions in real-time and do it much more accurately than you would without it. Some stock traders indeed claim that personal experience and your intuition developed through a complicated trading world is sometimes the best way. And this is, to some extent, true.

However, it takes a lot of time and practice before you can come up with accurate personal calculations. And the situation is changing relatively quickly due to the nature of the fair.

Your calculations may be accurate at the moment, but it could be bad for a moment due to a sudden change you didn't expect.

On the other hand, options trading software can perform calculations in about a minute. And these metrics are more accurate, making software more valuable in your trading strategy.

Options trading software analyzes the available stock options and then suggests a buy or sell the option in the situation. Each investor has their investment plan, which is influenced by personal trading preferences. Trading software based on setting your trading preferences will erase options that do not meet your investment criteria and provide you with the best buying or selling options.

There are many trading software options available online today. Some are free, others paid. Of course, paid options give you more options.

However, you should find the best software tool to help you trade, for free or for a fee, as long as it provides the required trading requirements.

Finally, options trading software dramatically increases your chances of trading success. And this is especially true if you are new. Besides, it gives you the time you need to learn as you earn and gain more experience with trading options.

Top 4 Software for Options Trading

Stock options trading is one of many "affiliates." In short, a stock option gives the trader the right to buy or sell shares at a specified price within a specified time frame. Trading options can be extremely beneficial if you understand the process. One way to ensure that you take advantage of stock options is to rent options trading software. This allows you to make more accurate predictions about the movement of the underlying stocks than you could do without them. Therefore, novice traders can even improve their profit potential.

Option trading software are available in a variety of forms based on their functionality. This book will take a closer look at each type and how it helps you achieve a profitable trade.

1. **Analytical Software**: It is essential to minimize your trading risks. When it comes to trading stock options, you have two options: a call or a put option. A call option is more advantageous if the share p rice increases over the life of the option. If the price of the underlying shares is depreciated, call options become worthless, and you lose money . The put function works in precisely the opposite direction. Analytical software analyzes a specific basic variant of shares and immediately tells you whether it is worth investing.

2. **Screening Software**: This software trims your trading decision on any stock option you could buy. Every trader has several trading guidelines and general financial goals. These goals usually fall into two paradigms. Short-term goals generally involve high risks but with tremendous rewards. And then there are long-term goals, with less risk and less profit, which add up over time.

Whatever your financial goals, it will affect the type of option you invest in. The options screening software streamlines your ability to introduce stock options that meet your trading criteria and overall financial goals.

3. **Valuation Software**: This software is also called pricing software because its features are very similar. This will allow you to determine the value of the stock option and see if it is reasonably priced and worth buying. Besides, it can tell you the set amount under different marketing conditions and also what the option will be in the future.

4. **Accounting Software**: This software takes care of all the accounting, calculations, and mathematical calculations of your trading portfolio. This is because you don't have to spend your precious time figuring out how your trade is going. These calculations are inherently very complicated and sensitive. Therefore, it is essential to use software to take care of this aspect of your profession, and thus eliminate the occurrence of human failure.

This means that it can seem daunting that you have to buy all the separate software systems to trade profitably. The answer is no. Some systems integrate all of these stand-alone software systems into a program that you can use in options trading.

CHAPTER 9

ONLINE OPTIONS TRADING

Online options trading is now an essential part of the investment world, especially with the increasing speed and availability of the Internet. It represents a considerable percentage of the total trading volume, outperforming traditional brokers, and making options trading available internationally. Traders from all over the world have learned to take advantage of this vast opportunity, and Chinese, Russian, and Australian investors regularly trade in the US market.

1. **Speed** - It is no longer necessary to call a broker and hope that the trade will close before the market falls and the options expire. Buying and selling options, in almost any combination, can take place in seconds, allowing the trader to take advantage of market movements very fast. Sometimes, however, this specific speed allows inexperienced buyers to make quick, emotional decisions that end in loss.

2. **Information** - The Internet has a tremendous amount of information available for trading decisions. Most online options brokers have fine mapping and analytics software with strict filtering systems to help narrow the field and find the best deals.

The problem is that sometimes too much information is not always useful - you need to know precisely what information you need to make the best decision about a transaction.

3. **Self-determination** – Trading used to be limited to a few professionals, but now anyone can make their own decisions. This makes trading much more dynamic and, therefore, potentially more profitable.

What to Consider when Choosing Online Options Trading

1. Broker Selection - Choose a broker with a good reputation, a large customer base, and the ability to trade with a wide range of options. You can find customer satisfaction or complaints in online reviews. Do they have tutorials and useful information? Do they allow paper trading to familiarize themselves with their system before entering the market?

2. Commissions and Margin Requirements - Each broker has its fee structure, and depending on your trading preferences can have a significant impact on your profitability. Remember that some cheaper brokers do not offer the same flexibility you are looking for.

3. Type of software - Some brokers offer browser-based software, and some require you to install the software on your computer. It is faster and more flexible in many ways and often allows you to make transactions faster. The software is involved in the process and is not bothered by any other background tasks that may take place in the browser.

The Fundamental Difference Between Futures and Traded Options

Trading futures and options can be a risky business and should only be done with venture capital that will not change your lifestyle if you lose your investment. Profitability is almost unlimited, while loss is practically unlimited. This means that if you are at the end of a futures trade, you may lose more money than you have on margin, and you will be responsible for the full amount of the contract due to the high leverage effec t of the investment. There are many ways to mitigate your risk, and one is to use options as hedges against a negative drop in price from your posi tion, whether long-term or short-term. Let's look at some of the differences between futures and options.

Differences Between Futures and Options

1. Premium vs. margins

Options: When you buy an option, you don't have to pay a margin because you buy an option at a fixed price, also known as a premium. This premium may decrease over the life of the option if the underlying price of the commodity moves towards your position or remains the same. If the option is not exercised before the expiration date, you will lose the premiums you paid, and the seller of the option will benefit from the number of premiums paid.

Futures: While the futures options premium decreases over time, there will be no futures contract. You can consider the margin of a futures contract as serious money, thanks to which you are responsible for the entire amount of the futures contract. This is very risky if there is no open offset position that would protect you from negative price movements.

2. Risk

Options: As an option buyer, you are limited to the amount of premium you paid for the option, so your risk is considered limited.

Futures: Whether you're buying futures contracts or selling futures contracts, you're responsible for more than just the initial margin you needed to trade. As a result, this type of trading risk is unlimited.

3. Expiry date

The last significant difference between futures and options is the expiration date of each contract. If you want to take advantage of the option to check the underlying futures contract, you should know that it must be delivered about a month before the underlying futures are delivered. This applies to the physical delivery of an item and does not apply to indices that are not tangible goods and that the maturity dates are the same as the delivery dates.

As you can see, there are several fundamental differences between futures and options trading in terms of the technical aspects of each contract. Trading these instruments is an entirely different matter when it comes to trading platforms and specialized risk management techniques.

Use this book as a basic primer for further research on futures trading and find out if futures and options are best for you.

Trading in Rich Options and Trading in Bad Options

Many options traders experience a defeat in their trading career, especially in the first few months, because they unknowingly follow the wrong path. There are many differences in the approach of winners to losers, and we will describe and explore some of them.

Rich Trading Option:

1. Speculative directional activities using direct calls or options that buy only a small percentage of their fund and only on stocks with the best prices.

2. Extensive use of Greek options to dynamically discover the position when conditions change.

3. Always doubt your conclusions and create provisions for losses.

4. Always follow the principles of stop loss.

5. Understand the exact trading style that suits them. Sensors with emotional possibilities should be left out of everyday trading.

6. Know that there is no best way to act in every situation.

7. Don't hunt profitable trades that you missed in the past.

8. Satisfied with stable profit.

9. In the long run.

10. Think about education first.

11. The market "trades."

12. Keep a trading journal.

13. Learn from mistakes.

14. Understands technical and fundamental analysis.

Bad Options Trading:

1. Speculative directional trading using direct calls or options with all their money in the hope of hitting "big" TV stock prices or unprofessional friends.

2. What is the possibility of the Greeks??

3. 100% trust! Full speed ahead!

4. Be aware that it is too late when it is too late.

5. Follow any trading style that should bring extraordinary profits to break the rules and ultimately break the wallet.

6. Follow only one procedure in all market conditions and situations.

7. He missed a trade, saw a rise in prices, and then a new high price to see the fall in prices like a rock.

8. Always look for ways to achieve more explosive stock options and eventually explode dynamite in your face.

9. Start with the intention of quitting after making a significant profit.

10. Imagine making money.

11. The market is "playing."

12. Forget the last transaction.

13. Hate mistakes and try to forget the mistakes.

14. Superstitious and follow the technical analysis.

As you can see from the above list, the difference between traders with plentiful and bad options is not only a question of technique or strategies but also a question of mental approach. Trading with rich possibilities occurs only when the right mind meets the proper technique. Do you make some mistakes that bad traders make? If so, it's time to look at what the other side of the equation says and change your approach accordingly.

Control Options with The Best Futures Trading Platform and Options Trading Software

Option trading software is essential for creating wealth through options. The stock market is a forward market, which me ans trying to choose the direction in which stock prices will go in the future. You can predict both fluctuations and price fluctuations. The time frame can be one day, week, month, or even a year. Your futures trading platform should provide you with tools and charts to help you make profitable trading decisions.

Before you can find a platform for futures trading, you must also decide in which country you want to trade. Options trading software for the US market is easy to find.

I trade in the US market because it offers a lot of liquidity, there are simply more options, but the size of the contract is also relatively small. In Australia, for example, each contract has 1,000 shares. However, there are only 100 shares per share in the US contract. This is a definite advantage because you do not need a considerable amount of cash.

After selecting the country, trading in optional software should perform some type of scan to reduce trading options. There are thousands of potential trades every day, but your futures trading platform should reduce this according to established criteria. It can be challenging to find at times, but it will save you hundreds, if not thousands of hours of research each year.

CHAPTER 10

BINARY TRADING OPTIONS

Trading options are available in several unique shapes. The dial type is the binary dial. Binary dialing is an option that pays off at a specified time within a predetermined range. Regarding the current period, there can be considerable flexibility, from very short to long.

60-second binary options work as a very short-term trading strategy or protocol. This type of option allows the trader to predict the direction of the stock price in a short time, in precisely one minute.

Trading this type of binary option involves examining a chart with current stock price data. The person then decides whether he thinks the stock price will rise or fall at the end of the one-minute interval.

Because the time frame associated with this type of transaction is so short, these transactions occur at a very high frequency. This requires the person to make pricing decisions and related issues within seconds in a highly compressed period.

Because trading through this type of binary strategy is high-speed, one should not jump into these types of activities without completing the educational process. The best way to prepare a person to participate in this type of trading with 60 seconds options is to set up and use a demo account.

A demo account gives a person different trading scenario. Also, a demo account is instrumental in helping a person make effective trading decisions in seconds if necessary.

One should never engage in this type of real money binary trading until one has mastered the process through a demo account. How long it takes depends on the person. Some people can easily control a demo account faster than others.

A person who has mastered a demo account and then trades for real money has the potential to make a significant amount of money in this process. However, this type of options trading - as with all kinds of options trading - poses risks. Therefore, one should be careful when investing in these types of options. Good luck and smart trading!

Trade Futures Options to Achieve High Returns

Binary options trading is a type of online trading that focuses on the direction of commodities, stocks, futures, indices, and currencies. It's similar to forex trading by trading in commodities, whether they rise or fall. With this type of trading, you have a very efficient and easy way to make a lot of money in an hour or a few weeks, depending on your choice of trading time.

When trading futures, investors make money by expecting changes in commodity prices. Goods that are traded on a stock exchange are the same regardless of its source. Options futures are, therefore, securities that give their holders the right to purchase commodity futures such as gold, paper, or foreign currency at a set price.

There are two main types of options trading futures to look out for: calls and puts. You only buy a call option if you think the base price of futures will increase. For example, if you expect corn futures to improve, buy the option to buy corn. The opposite is the business approach. You only buy a call option if you think the base futures price will drop. For example, if you expect the future of soybeans to decline, buy a soybean option.

You must pay the price when purchasing this type of option. The term used for the option price is called the premium. You can consider the options as a bet. The longer the shot, the cheaper the setting. On the other hand, the more confident you are, the more expensive it will be.

The strike price is the price you can buy or sell from the und erlying futures contract. It is essential to distinguish between futures options and futures contracts. A futures option is a financial instrument t hat gives the trader the right to buy a futures contract for a specific item. In contrast, a futures contract is a contractual obligation to purchase the object itself, in a specified quantity, at a specified price and at a specified time.

You don't have to be such a great financial expert when trading binary options. Unlike other types of trading, where you need to handle complex statistics and have confidential information, all you need to know is whether you think the price of assets will rise or fall. The level of risk is also reduced during trading.

Once you have a contract, you know exactly how much capital you are risking and how much you can win.

Whenever you trade futures options, you are sure because you do not have to come up with an exit strategy. After all, the length of the contract is determined before entering the trade.

Although some of the most widely used financial instruments today are one of the more commonly used, they can be complicated and carry an incredibly high risk. On the other hand, option trading strategies have the potential to make trades safer. Options are probably the most flexible trading tools available and are also excellent and versatile tools that you can use as a stock trader to measure risk and increase profits.

Investor Notice of Binary Options Trading

Wherever you are, investments seem to be the latest news. You've probably heard it on TV and the Internet because options trading is something that many people come up with. People who think they are willing to invest in something that can bring a better return must first prepare. Trading is exciting, but you should know more before you get involved, especially if options trading is a new and unknown concept for you.

Evaluate What You Want

Options trading is available in a variety of sizes, so it's best to know who to focus on. Regular options can be a possible choice, and it is something that many people choose. All payment agreements expire on the third Friday or Saturday, depending on which market you trade. Binary options allow you to buy and predict hourly expiration times.

Both steps are valid trading formats, and it is up to you to consider what may be a better solution. Clients who are impatient and may want faster results may choose to trade binary options, as this can lead to faster payouts.

Theoretically, someone can trade now and receive payments a few hours later. For those who want to have time, try the standard settings, and wait for the results on the selected date.

Know Business Styles

Options trading is an investment step, and you need to know the available trading styles. You need to realize what it is like to plan your next move. For example, the binary option has two trading styles: American and European. European-style trading pays off if the price on the allotted day is above or below the agreed level. In a U.S. trade, payment can be made if the amount exceeds the agreed level at any time by the allotted date. Once you know these two trading styles, you should determine which one better suit your trading style.

Find a Dealer

Many investment companies regularly trade options, so it may be easier for clients to find them. Binary options can be more challenging because many companies that offer it are web-based. Customers considering binary options should then search the Internet for business. In the search box, enter "options binary companies" to see the business listings and list of websites you view.

Read the specific business conditions of binary options and find out how they accept clients. Some locations may require you to open an account with them and provide a credit card number before you can make purchases.

Before doing anything else, check the background of these companies with consumer business groups and government agencies. This step should help ensure that the online options trade is valid and legal. Also, make sure that the company you choose has a privacy policy.

Find the most suitable trading company and style of your choice. If a business or corporate style seems to suit your goals, give it a try. The beauty of trading is that a potential trader is waiting for a potential payout. This may mean that the sooner you trade, the more shortly you will receive payment.

Is a Binary Option Suitable for You?

Trading binary options or digital options, which are sometimes referred to, give traders much more flexibility and choice than conventional types of options. This type of trading allows traders to trade a variety of financial instruments, including stocks, commodities, currencies, and more.

Digital options trading offers traders the opportunity to earn 60-80% of trades in a short time, even in many cases in an hour.

The advantages of this trading offer are that trading is a simple process, and there is limited risk compared to trading in conventional options. Traders can only be right in terms of price direction to take advantage. Binary options are issued 24 hours a day, and the trader can choose different time frames for each trade. The risk is pre-determined and determined so that traders know exactly what the profit or loss will be in a given trade.

Digital options are much less risky than other types of trading, mainly Forex, because they do not involve any leverage or a "stop-loss" relationship. Traders do not have to worry that trades will oppose their position and suffer huge losses. The risk is always limited to the amount invested in each transaction. This gives traders the flexibility to trade even in the most stable low-risk markets.

Profits are made when it comes to money from one cross-trade. Traders do not have to worry about the price reaching a certain point to make a profit.

Traders never have to worry about trading binary options on margin. The minimum account needed to start trading is much smaller than what is required to purchase in other markets, such as Forex, commodities, and stocks. What can be traded is almost unrestricted. Options are issued on the most popular instruments, such as currencies, gold, oil, and commodities.

Other benefits include:

- Trading can be easily diversified.
- Options expire in an hour and daily.
- Options are not traded on the secondary market.

Finding a good broker is crucial to your success. Not all brokers offer the same benefits. Before selecting a broker, look at different brokers and compare features. The best brokers have a feature that pays up to 15% when the option for money expires.

Higher yields are the primary advantage of binary options. Traders can earn up to 80% from a single transaction.

Another advantage is the incredibly fast return. Traders can achieve a massive profit in one hour.

CHAPTER 11

BINARY OPTIONS ARCHIVING AND COURSES

I often think of other people who trade options all day. I wonder if they use the best discount brokers in the available area, and most importantly, how they track all their trades?

The point of conducting comprehensive options trading is, in my opinion, almost the most important. How do you know if you are successful in options trading if you do not know your earnings and losses per share?

The answer for me was always a combination of 3 methods. The first method, of course, would be to use a spreadsheet to keep the sum of all the shares you own, a different table to record all my expenses for each month, and it is essential to know the amount of all sources of income and expenses, including trading expenses.

The primary tool I use for all my trading and options is Microsoft Access. Using an Access database is the perfect tool for registering any stock or option.

For options, I have a column that represents the number of contracts for each options trade, and the contract represents 100 shares.

If I buy and conclude a contract, the contract number is negative, and if I sell, the contract number is positive. The other columns in the table relate to the price of options and trading costs, so the total amount for each option trade (100 * price * contract) - trading costs are calculated using SQL (Structured Query Language). Over the years, I was able to view vital statistics. And reports that told me how I felt about each type or strategy of options trading and summarized the results per share, option, month, day, or year was straightforward to implement.

The main point is: how can you know how to do this if you don't keep records? You can get the stocks that you sell to you and then sell them at a loss, but then you know that thanks to the extra premium you received for PUT of sale, you made a profit from that trade in general. Without record keeping, you would never know how you did for some complex options trading.

With any trading registration, it's essential to know how to do it. Still, with the problematic profession of options trading, tracking data is almost the most important thing you can do.

To make one thing clear, options trading is NOT day trading, because I have seen how many people have become confused between these two professions over the years.

Options trading are investment instruments that allow you to use your risk when you own shares or buy or sell options yourself. In other to create combination spreads that simulate share ownership or participate in the downward movement of stocks or indices without actually own shares.

In day trading, you trade options or stocks and sell at the end of the day or repurchase everything, so you are completely done at the end of the day. For years, I have personally heard that about 80% of all traders lose money.

Like everything on the stock market, there is no holy grail, and anything, including day trading, is always up and down, and nothing is easy. It also applies to options trading.

After years of writing mostly covered calls, which is a strategy where you sell the option to call (increases when the stock rises) against the stock you own, and if stock increase during the option period, the shares will be sold and taken from you.

Within a few years, I finally decided that it was not a very good strategy. It is all too common for good stocks to be taken from you, and the institutional premium you make is never enough to protect your disadvantage, such as buying a PUT.

For the last two years, I have used the Bull Put Credit search to make money on my account. It works mainly for monetization, but so far, it has been average in terms of increasing the total value of my trading account.

For starters, you need to maintain very comprehensive data with this global strategy or a strategy of other options; and I use both Excel and MS Access to track all the transactions I do. You also need to keep accurate records of all your purchases to know how you are doing for each stock or time.

My favorite strategy is still credit spreads Bull Put. This strategy is when you sell PUT and then buy a lower PUT to protect your loses when the stock declines. You have to purchase insurance, which is a PUT option to defend yourself because if the stock market falls, you can be killed if you sell PUTS without insurance. I consider Bull Put Spreads better than Covered Call, but it's not a perfect strategy because there is no ideal strategy. Another thing I still do is either for sold PUT or for purchased PUT.

I still consider myself a student of BULL PUT CREDIT SPREAD strategy, even though I've been doing it for almost two years. There are many strategies and things you should know about options trading, and you only need to trade with a DEEP discount broker because if you don't, the price will destroy your profit over time.

Binary Options Courses

Binary option trading courses are designed to teach you how to spend a lump sum and know your potential return or loss before you buy. To trade, traders predict long or short of any financial product with a fixed maturity. You will also learn that the disadvantage of binaries is the unavailability of an item that is traded or sold before it expires. Learn to get reasonable compensation in a short time by learning to be competent enough to predict the right price up or down.

Courses Are Often Divided into Many Simple Lessons

Find a reputable broker. There are many brokers online and in brokerage houses. Beware of brokers who want to learn more about binary trading, but charge high fees. It is possible to trade without the intervention of a broker.

During the day, week, or month, there are different times when you need to start trading. Finding the underlying assets requires insight into the capabilities. The set courses will teach you how to trade assets in specific time windows and whether you are spontaneous or looking for long-term opportunities.

o Stocks have time intervals of approximately six hours per day. Learn how to watch the stock move. This knowledge will help you predict the value and useful life.

o Currency markets are available 24 hours a day, but specific foreign currencies can only be reached in certain time zones.

The courses will teach you how to use assets throughout the market. You will learn the risks associated with the movement and the number of assets. Learn how to examine assets, determine which assets are a better trading opportunity, and how to read charts to compare assets.

Learn more about turning points. These are binary options trading tools that teach you how to use price promotions at all levels of resistance and support. Follow the teachings from expert traders and learn how to avoid false predictions. Practice the platform demo before using turning points.

Learn how to postpone expiration times before trading binaries. If you extend the expiration date of the binaries, you are more likely to be aware of your prediction. Using the scroll setting can be used once you find that you will lose your investment. Roll-forward should only be used in emergencies and with the consent of the broker.

Your particular broker may charge a fee for extending the expiration date.

When trading options, keep up with financial markets, commodities and stock markets, and current events. Use a reliable broker who offers you the best tools for binary trading. You will lose less if you learn how to use reasonable technicalities, understand the market, and follow the platform you are using. You can learn these lessons yourself, but taking a binary course will get you on the right track.

I have always been impressed by people who have very successful in options trading. Have you ever wondered how they do it? There are millions of people who live and trade every day. How come they don't lose money or care about the massive losses?

These people must be magicians. Or better yet, do they have any secrets?

I think it's none of the above, and every successful trader has had to go through a period of trial and error with possibilities during his career, that is when people learn the "secrets" of trading.

After this period, people learn to avoid all the mistakes they have made in the past. But if you're like millions of us, say to yourself, "I don't want to spend two years making financial mistakes to learn how to trade with real income finally." We all believed that’s why every potential trader should have a trading plan, and it must include some form of training or course. The questions, in this case, would be: How will the direction of options help me become a successful options trader?

The course is a milestone in your plan to succeed in trading. With proper training, you will always learn which action is good or bad. But when choosing a suitable course, spend some time going through all the available offers and careful selection. Here are some tips to help you choose courses that are right for you and will help you become the successful trader you have always wanted to be.

An excellent stock options course should be taught by a successful and experienced option trader, those who know how things are in the market and have lots of tips and tricks to teach their students. Another essential feature of an excellent course is the popularity and success of graduates, usually seen from their testimonials.

However, you must be careful when choosing a course. A second course does not always mean that it is advantageous. It is said that "gaining value for money" in the world of options trading is accurate. You should not put a price tag on something as valuable as a course to give you wealth for the rest of your life.

It's not easy to have a successful options trading career you dream of, but choosing the right course will certainly help you overcome some of the obstacles.

Build Your Trading Knowledge

If you want to become successful as a trader, it will be beneficial if you can take the time and effort to learn the basics before you begin. Gaining ideal learning opportunities from books or online resources will help you better understand how to make more successful trades and not lose money. Here are some steps you can take to learn the crucial concepts of options trading:

Learn to pick stocks. One step that must be taken in the learning process to become an active options trader is first to get a good stock selection rating. A well-rounded ability to analyze stocks is undoubtedly very beneficial.

Read the training instructions. An excellent place to start learning options trading is with established books that teach fundamental and technical analysis of this business. There is a wide range of teaching and training guides to help teach you the basics of advanced options-related techniques.

Learn all about options trading. In addition to reading about the possibilities in textbooks, you would also like to spend more time researching this topic. If you can invest in a high-quality selection of research tools, data sources, and books, you are better off in terms of the actual trading process in the long run. It can also be an advantage to invest in a multi-day seminar from a professional in the field, which provides additional advice in building your knowledge base.

Try to keep strategies as simple as possible. When you first start with options, you want to keep trading strategies as simple as possible to minimize risk. Trading strategies that should be avoided in the early stages include calendars, butterflies, iron condors, ratio range, backscatter, gamma neutral, and delta neutral.

The aim is to use the opportunity to supplement the existing portfolio. The right choice of options can offer a high degree of flexibility in structuring potential rewards and risks. It is often useful to use them to cover and achieve the desired income.

Provide the ideal amount of venture capital. If you look at business opportunities, ideally, you would want an initial investment of $10,000 that should be around 10 % of the entire trading portfolio.

Binary options are the latest form of trading where a trader must buy an asset and predict the future price of that asset. The most important aspect of binary trading is that the trader does not have to buy the asset physically, but invests almost in the asset. The level of profit is based on the selection of the asset. And the trader should speculate on a change in the price of the underlying asset when the transaction expires. In binary trading, the exercise price also refers to the rate at which the trader buys or sells the underlying asset. The evolving platform for trading binary options is thanks to the immediate results of each trade and a predetermined percentage of profit from each trade. In the case of winning trading, the expected winnings range from 65% to 85%, depending on the broker's policy. In the event of a loss, the profit would be zero or 15% as provided by the selected binary options broker.

CHAPTER 12

KEY CONSIDERATIONS WHEN TRADING BINARY OPTIONS

In any binary trade, there are almost three essential factors that every trader should emphasize. These include the underlying asset, the time the trade expires, and price changes in value. The trader has the opportunity to choose the right and profitable underlying asset, such as forex, index, commodities, assets, and more. The due date is the time when the transaction expires and can be a minute, hour, day, or year. Another factor is the movement of the asset price, which can occur in two directions: Up and down, depending on which put and call options are selected.

If an investor in the industry speculates on a price shift upwards, he chooses a call option and, on the other hand, if the price movement determined by the trader is lower, put options are selected.

Trade binary options and get the biggest bang for your money.

Higher returns, lower risks, and shorter investment periods are great benefits that new and experienced investors alike are excited about when trading binary options.

Although relatively new compared to other trading methods and investment instruments, it has already had substantial consequences. Here we describe some necessary information about this investment instrument and what it has to offer investors.

Before switching to options over other derivatives, it is essential first to find out exactly how this transaction works. As with all other options, the value of the binary option is based on the underlying asset, e.g., shares or currencies.

They are linked to the outcome of the underlying asset, and any gain or loss on that transaction will depend on whether the value of the underlying asset increases or decreases.

However, unlike other financial investment instruments, your profit or loss in this type of trading is predetermined and tied to two specific amounts. For example, in "all or nothing" binary options, you get a predetermined gain or nothing. If the underlying asset is a share, even the slightest increase in the value of equity at maturity would already entitle the trader to a predetermined profit.

On the other hand, a decrease in the value of the underlying shares at maturity would result in a total loss or a predetermined loss depending on the terms of the option. There are no intermediate assumptions for this investment vehicle, only two possible outcomes, i.e., the "binary" option.

So why do they say that this trade carries less risk than other traditional trading methods? The answer lies in two factors: a shorter maturity and a predetermined profit/loss. The trader knows precisely from the beginning how much he can lose or earn on his investment, so there are less speculation and less risk. There is no chance that you will lose more than you expected, as each potential loss is tied to a predetermined amount, allowing the trader to choose the correct option that makes them feel most comfortable. So, you don't have to worry about shocks and jolts in the market, which sometimes leads to uncontrollable spiral losses.

At the same time, the trader can achieve a very high return in a short time. Some binary options offer an 85% return on investment, much higher than many other trading methods, including Forex trading. Maturity periods are also much shorter and often last a week or less, so profits are achieved much faster than traditional forex trading, where you need to keep the purchased currency and wait for a significant improvement in exchange rates.

In short, we can probably expect that trading in binary options will gain even more followers and investors in the coming years. With higher, faster repayments and less risk, it is becoming the preferred trading method for many new and old investors.

The possibilities of trading with educational institu tions are advantageous for you and every beginner.

With just a few clicks, you can access useful websites and online communities without hassle or worry. If you only need to do good and reliable research, what else should you think about?

If you know how to validate online services provided by customer groups and member support groups that help those interested in investment and opportunities, go to these opportunities training packages.

Memberships and subscriptions are worth your money; Online educational academies are committed to providing a helping hand around the world. They even offer online courses with tools and packages - with virtual lessons on computers, mobile phones, laptops, and other devices designed for your convenience.

What more do you want? You are easy to use, and you will quickly learn the basics and essence of business opportunities and investments - in a large package.

Online trading learning opportunities should never be compromised.

Although these learning experiences and packages exist all over the Internet, they are believed to focus more on the benefits and advantages of students. More than just comfort and convenience, when you enjoy training in your comfort zones, you can have live interviews, access these archived training, recovery, or evaluation sessions with trading experts and financial trainers. These virtual classrooms allow you to choose from an extensive range of options offered on your subscription packages, according to the most reliable trading or educational options available to you and your classmates.

Personal and practical workshops via the web allow students to maximize transformational and constructive training on trading and investment opportunities. This new company of yours has grown over the years. It's unbelievable that it evokes the kind of leverage and innovation you could get - a 21st-century trading system needs an alternative resource like this that seems to run and meets the needs and requirements of society.

Trading options is an aggressive way to ensure financial stability and freedom and to promise a good source of prosperous funds in the future. Generally, it's set up in the long run, but it's worth waiting for a long time. Expand your networks today, increase your chances, and see how it can work for you and your money.

Weekly Options Trading

Some people are overwhelmed by weekly options until they find out about their weekly options through their broker or ad. They are authorized by the Chicago Board Options Exchange (CBOE) in response to demand from options traders.

They are often referred to as Weekly, and the CBOE offers an updated list of the various security classes that Weeklys offers on its website. They also provide detailed information about the weekly and your "normal" monthly settings.

Do you think that the weekly setting has a lifespan of only one week? It will appear on Thursday and expire the following Friday. The weekly trader wakes up and sees his position. With a shelf life of only one week, the settings can get away from you very quickly because the time value decreases geometrically rather than proportionally.

A week is considered a cost-effective way to deal with events within a specific time frame. It can be argued in various ways. The way you decide, of course, depends on your desire to enter this particular area of trading.

Weekly offers 52 expirations per year compared to just 12 for traditional options. It gives options traders more time to play in the options market. However, because the field may change each week, you may need to learn and adapt to new effects that it did not process until they were introduced as allowed effects.

The weekly performance of a completely different set and, in some cases, new nuances that need to be learned. Given the speed of this market, this could be impressive. The most significant shade due to this new speed parameter is the investor's ability to call the market correctly. In other words, if you think it's going down, you're only right for one week.

Traders should have a better understanding that the option under money is diminishing in the underworld. Ignorance of this fact can cost the trader all his resources.

Working for a marketer is the fact that weekly can cost much less than monthly options. It is because the expiration time is so short. However, this may not be as great an advantage as it seems. Again, it depends on an underlying security.

The time value can work in both directions, even in such a short time as Weeklys. Because traders only have a few days in stocks or indices to make money, they need to look back and immediately increase profits or capital.

Weekly options trading still has trading strategies similar to monthly options. The only difference is that they are adapted to the market schedule.

You, like these first timekeepers, may think, when you first come across the term options trading, that it's just a common form of trading where you wish to buy and sell goods and then make money. If you think so, you are making a complete mistake. Trading options is a more complicated matter than other types of trading, but more profitable.

The first thing you should know about this type of trading is thermal options. Options are not products or assets to be bought or sold. These are not specific things, such as consumables or products, that you don't have in your company. This term specifically refers to contracts concluded between two parties that they would perform in a future transaction.

The options give you a non-binding right to buy or sell something. It is randomly divided into two types, which are defined as the right to buy or sell. If it gives the right to obtain, it will be a call while giving the put, if it provides the right to sell. There are also other classifications of institutions, depending on how they are performed. It can be an exchange-traded option if it is standardized, while it can optionally be offered over the counter.

The option price is called the exercise price or reference price. The option also comes wi th an expiration date, which also happens to be an agent that classifies the option differently, depending on the period before the expiration date, you can exercise the option: before the expiration date, expiration date, or a specific date until the expiration date. Some classifications of options that take into account the expiration date include the following: European variant, American variant, Bermuda variant, Barrier variant, Exotic variant, and Vanilla variant.

Learning more about trading options can be easy because resources are available everywhere. For example, the Internet provides articles, websites, and other materials for trading that are not that difficult to find. If you are interested, you have all the means to find out, and no one can stop you.

There are more unique things about options trading that awaits you as you explore this new world. It's a complicated but enjoyable industry that you can join, which will help you improve your financial situation and give you a better and brighter future. There are many good things to expect, so whatever you are waiting for, join options trading, and see what it can bring you.

Technical Analysis in Binary Options Trading

Support and resilience to binary options, although some investors think a new concept is a relatively old trading strategy. Anyone with hands-on experience in forex trading is likely to be accustomed to the idea of using support and resistance to help them make their day-to-day trading decisions. The principle of support and resistance is equally vital in the trading of binary options, as investors can use comfort and strength to their advantage as a means of recognizing price movements. By carefully examining the price charts, traders can identify the next likely occurrence of the level of support and resistance to provide insight into the most likely direction of future price movements.

Technical analysis can be used in binary options to identify price movements as a means of analyzing future price direction. One of the main tools used in binary options is price charts, which require correct interpretation and analysis. If traders can analyze price charts, the chances of placing the right trades, and ending "in cash" are much more significant. However, this level of observation in price lists means that you can identify different price formulas and fully understand them.

Among the various trading tools for technical analysis available to the trader, support and resistance levels provide an easy-to-use tool for trading binary options.

The level of support and resistance allows binary options traders to monitor the price level in the markets during the period when the price was unable to break out towards higher or lower targets. This observation gives binary options traders a clear picture of when a price reaches a level of support or resistance, it is likely to jump out of that level compared to previous charts, or in other words, to stay at the higher and lower ends.

Binary options traders are working on technical analysis to see how prices have changed, to predict exactly where they will move shortly.

One of the many essential tools is a price chart, and you should be able to understand these charts and also what they mean. If you can, you will most likely trade ideally and trade money. However, to do so, you will need to be able to identify different patterns and recognize them thoroughly.

Find Pricing Information

Price chart data can be obtained from companies that offer binary options trading.

A known trend in a price chart is known as a wedge, which usually means a change in the direction of movement. Nevertheless, it is easy to confuse a wedge with a triangular pattern, which does not mean the same thing. Although it is the same in the design, the triangle indicates the unusual movement in the same direction as the last sample. In contrast, the source suggests the current trend moving in the opposite direction.

A resource arises when the price of an asset remains within two converging trend lines that also fall within the same amount. The lower trend line seems to provide support, while the upper offers resistance.

Rising and Falling Wedges

A rising wedge occurs when there is an internal rise when the lines of support and resistance move along the same paths as the increasing price. The real signal is usually that the price before the wedge will break against the disadvantage, suggesting that binary options traders will have to place the option in anticipation of a price drop.

With a falling wedge, the support and resistance grooves usually tilt down, and therefore the wedge is formed around the downward areas of interior trends. Where the lines converge once, the price would break upwards.

Source behavior offers binary options traders to understand and intervene if necessary. The trade they do will usually have to predict that prices will move in an alternative direction to the wedge pattern. Profitable interpretation using wedge formulas can lead to frequent amounts of efficient binary options trading.

Electoral Trading: The Importance of Entry Timing

Timing of entry is an essential part of stock trading, which is crucial for options trading. If the timing of your entry is critical to the stock you may have, it is all the more vital for options with a limited life.

Entry timing means finding the right time to open a position. Your research will tell you what to do, and your timing of entry will notify you when to act. With perfect entry timing, you would take a position the day before or even a minute before the underlying stocks make the expected move and maximize the return on investment. A good entry point would prevent capital from being unproductive, as it must be in positions that it has not yet taken, as predicted.

Entry timing is especially crucial for direct calls and call options, as options decline during the day due to a phenomenon known as "Time Decay." The longer the options, the lower the value if you eagerly wait for the underlying system to function as predicted.

Unfortunately, this is what most new traders do not pay severe research and attention to. This also applies to those who have previous experience of trading stocks, as stocks are much more forgiving of entry errors, as the trader could have chosen to keep the position as long as the position plays to his prediction.

This is why many beginners panic, because the expiration date is approaching their chance for worthlessness without money. These options are not valid forever, and most traded options expire within three months of purchase. This is precisely why it is so important in options trading and swing. No methodology or system of options would be complete without access criteria and procedure.

There are many ways to set entry timing rules, and all options traders have their criteria in so-called personal "shows." These rules and measures should be designed for the specific business method for which they were developed. There is no size for all solutions. Beginners should choose to use options or learn about trading systems that include access criteria, such as my Star Trading System.

Examples of entry times include monitoring the pricing conditions of the underlying asset for a period before trading, identifying input signals, or even looking at intraday moving averages or candlesticks to determine the exact best entry point. Whatever method is used, there should be objective rules for such observations so that emotions do not overcome the process.

Entry timing is crucial to your long-term success in options trading, and it is an area you should look at as an options trader if you don't have one.

QQQ Option Trading

Options trading QQQ is simply about using an exchange-traded fund (ETF), commonly referred to as QQQQ (or "Dice"), as the underlying financial instrument on which your options trading strategies are based. The official name of the fund is PowerShares QQQ Trust.

QQQQ is the most active of all the funds traded on the stock exchange and is linked to the top 100 stocks of the NASDAQ Composite Index, known as NASDAQ-100 (NDX code). The company was founded in March 1999 and behaved like an average share of the company, distributes dividends, and has options.

The advantage of using an index fund is that unlike individual shares of a company whose price rate can be significantly affected by income reports such as a change in management, product release, disaster, etc., the index generally has an impact on business absorption because the price of one stock is never significant enough to affect the entire index. The index will significantly affect only substantial economic news overnight. Trading in QQQQ is a cheaper alternative to direct trading in NDX.

Trading QQQ options is not only very liquid, which makes trading more manageable, but also a safer alternative, as price movements, are smoother and the chances of night gaps are lower. It makes QQQQ an ideal means of trading options. You can even take positions in it to hedge or balance the existing portfolio of options positions, especially if short-term maturity is approaching.

QQQQ is known to be a highly volatile ETF because the NASDAQ-100 contains large weights of technology stocks such as Microsoft, Apple, Intel, Oracle, and Google. The second highest part in health care, which can also be very unstable due to their sensitivity to reports such as FDA product approvals or otherwise. As such, it can provide excellent opportunities for options trading.

You wait for the price to rise or fall to the level of support or resistance, and if the implied volatility is not too high, analyze the risk chart. If you see the potential, place your elongated straddling or strangle the trade, set your output levels "good to cancel," and prepare for profit when price movement is in line with your strategy. For example, if one party has enough benefit to cover the other party's costs, you make a profit, and on the other hand, you have "free trade." Or maybe you want to wait for the overall level of profit.

If you have sufficient funds, you can use a short-term QQQQ position to spread the position along with "gamma scalping" techniques, where you can maintain a long-term or short-term position in current QQQQ stocks to create a different QQQ option strategy.

There are even services, such as OneQTrades.com, that are specially configured to provide trading recommendations only for QQQQ-related products. This includes signals with QQQ capabilities. Some also advertise covered call services based on QQQQ.

In summary, QQQ options trading can offer a trader of some exciting opportunities due to its liquidity and volatility.

CONCLUSION

If you're tired of discussing the risks of options trading online, you can also take a look at the bright side and see its benefits. Most people overlook the main advantages of trading options online. It should also be noted that although all types of trades have inherent risks, it also has its benefits that inspire you to trade.

• **Flexibility** - it is known that options trading is not for everyone. If you ask experienced traders who have been given options trading to go their way and work for them, they would undoubtedly say that t his option offers excellent Flexibility for both the buyer and the seller. There are several strategies that traders use to maximize their flexibility and make them work for them. This means that the main components include space for the use of underlying assets.

• **Protection** - Protecting your investment is very important, especially for the trader. Security in your trading is essential, so options trading has an advantage over other stock trades. Compared to different types of transactions, options trading offers better protection for its participants.

Because traders can take advantage of this protection put, this type of option strategy also allows the sale and purchase of shares of the same number and protects the stock from depreciation.

• **Leverage** - The main reason why options trading is beautiful to small money traders is that the trader can control the full value of the shares because he has a contract that performs the same way as the shares, but only for a fraction of the share price. The trader has just bought the option and not the stocks themselves so that the trader can make money with very little investment.

• **Limited risks** - there are two positions in the risk limits. First, from the duration or period of the option and, second, from the payment of the minimum amount for the full value of the asset. During the option period, the holder has the choice of exercising the option or not. Any unnecessary movement on the market can be prevented and thus offers the holder more excellent protection. On the other hand, if the option is not advantageous, the holder may suffer losses in a short and specific time.

• **Trading with volatility** - with this type of trading, the trader has the opportunity to trade even when the market is idle. Unlike other trades, they only offer up and down moves.

In conclusion, options trading gives the trader the freedom to buy or not to buy an option depending on the movement. This is a significant advantage because the trader is not obliged to continue purchasing the asset, even if he has already lost interest in it.

Stock options can be a smoking topic for individuals and investors who are endlessly struggling for a positive return on the stock market. Conversely, options trading may not apply to everyone. Evaluate yourself if you understand and can explain options trading.

If you can accurately illustrate the trading options to another person, it is a clear indication that you have already improved the underlying market assumption. However, several people have started trading and are eager to trade, but they do not have exactly the right knowledge of trading other than "making money" on the stock market.

Thes e people usually come six months later with frustrating stories that made you doubt them and instead hesitate to invest your hard-earned money.

Despite the complexity of options trading, this does not necessarily mean that the game is scary. The basic principles are simple and straightforward, but social practice, an unheard-of and detailed distinction, certainly includes practice. Sorting everything is critical. When driving through the Heston model, you can take advantage of European opportunities for futures contracts with favorable prospects. Still, if you have no idea what to do with it before the end of the day, you can also burn your money.

Thorough training on options trading policies and procedures is essential to familiarize ourselves with this and ensure profitable strategies. This will help protect not only your hard-earned cash but also various stock tips and expert analysis that will keep you informed of its real trading consequences. You will understand if you have good advice from your broker, and you have better control over the volatility of your portfolio.

Option trading courses are available online and offline, making study and learning opportunities more straightforward and more accessible. Traders offer courses with sufficient experience, private financial educators, and stock exchanges. The Chicago Board Options Exchange, the largest exchange for U.S. options, has extensive online guides on domestic option trading terminology and rules. You can also sign up for a range of specialist training courses, such as commodities, bonds, or futures.

If you are already trading and do not have the desired success, it is better to go back and master the basics of options trading. Your savings and eggs in the nest are too rare to be fired from an impulsive transaction or something your broker recommends, but you don't understand. If you do not have enough confidence to explain options trading, or if you still do not have a good knowledge of the terms and conditions, you should thoroughly research your portfolio and confidence through a thorough examination of options trading.

With the concept of globalization, the growth of trading units, rural and remote segments of the world. In today's world, the country has been shown to engage in international trade for worldwide recognition. The same applies to trade in binary options, where trading in shares and commodities takes place in the financial markets. Both profit and loss in binary trading depend on stock or commodity price movements. As the global economy makes big leaps, binary trading can be a lucrative trade if done with careful investor analysis.

Binary trading has become the most popular trading platform, and thanks to the rapid flow of this industry, the power of binary options contracts is growing. The importance of brokers cannot be ignored because the leading role of a broker is to carefully handle the investor's trading by guiding him through all the binary and reverse trading. A binary options broker is the most critical pillar of the success of any transaction. With the arrival of new brokerage units on the international trading platform, choosing the best broker of your choice has become much more comfortable. It is a broker that helps the investor make the best decision at the right time to avoid losses and minimize risk.

Binary options trader has the full authority to select an asset and plan a money management policy. However, a binary options trader guides the trader in the best way possible in terms of the type of assets that are best to trade. The help of a broker is of great value because he has experience in trading and is very professional in his approach. For long-term benefits and profits for the investor, the best idea would be to get the help of a broker. Binary Options Broker frees a trader under challenging times by providing the best counter-guarantee strategies to get a massive result from every trade. Traders who are very interested in developing a successful career in binary trading will never miss the services and help of the best binary broker.

Finally, after reading this book for the first time, I strongly recommend keeping it with you throughout your options trading journey. The reason is that as you become more experienced in options trading, you’ll start realizing the significance of each strategy discussed herein. So, feel free always to come back to this book for clarity – one of the major reasons you should have your own copy. As an experienced trader, I reckon trying out a strategy that matches your trading plans and goals. Don’t forget to always stick to your exit strategy and never let emotions cloud your judgement. As long as you can make this book your options trading companion, you have a better chance to succeed more than ever. Good luck!

GLOSSARY

Names	Acronym	Definition(s)
At-the-money	ATM	An option is at the money if the strike price of the option is equal to the market price of the underlying security.
Broker		A person who buys or sells assets or goods for others.
Chicago Board Options Exchange	CBOE	The largest options exchange in the United States by trading volume. Established in 1973, option contracts on more than 2000 companies and indices trade on the CBOE.
Contract for Differences	CFD	A futures contract that is settled in cash. That is, the underlying does not trade hands, and neither party needs to own it.
Dow Jones Industrial Average	DOW	A stock market index founded in 1896 by Charles Dow tracking 30 companies in various industries thought to be representative of the American economy. It is a price-weighted index, meaning that stocks with higher prices per share affect the average more.
Extrinsic value		The value of an asset that occurs by mutual agreement.
Earnings Per Share	EPS	In a given fiscal year, a publicly-traded company's profit divided by the number of shares outstanding.
Exchange-Traded Fund	ETF	A security that represents all the stocks on a given exchange.
Gross Domestic Product	(GDP)	A measure of the value of the total production in a country, usually in a given year. Gross domestic product is calculated by adding together total consumer spending, total government spending, total business spending, and t he value of net exports.
In-the-money	ITM	1. A call option with a strike price less than the value of the underlying asset. 2. A put option with a strike price more than the value of the underlying asset.
Intrinsic value		The value of an option if it were to expire immediately with the underlying stock at its current price; the amount by which an option is in-the-money.
Initial Price Offering	IPO	The first price for which a company offers to sell stock in itself when it moves from private ownership to public trade.
National Association of Securities Dealers Automatic Quotation System	NASDAQ	The largest electronic exchange in the world and the second largest exchange in the United States. It was established in 1971. NASDAQ has the highest trading volume of any exchange in the world, and is a popular exchange for technology companies.
Net asset value		The market value of all securities owned by a mutual fund, minus its total liabilities, divided by the number of shares issued.
Out-of-the-money	OTM	1. A call option with a strike price more than the value of the underlying asset. 2. A put option with a strike price less than the value of the underlying asset.
Premium		The price of an option contract; also, in futures trading, the amount by which the futures price exceeds the price of the spot commodity. The price of an option contract; also, in futures trading, the amount by which the futures price exceeds the price of the spot commodity.
Price-to-earnings ratio	P/E	The price of a security per share at a given time divided by its annual earnings per share.
Share		A certificate giving the person or company listed a portion of ownership in a stock, mutual fund, or some other investment vehicle.
Structure Query Language	SQL	a computer programming language used for database management.
Standard & Poor's 500 Index	S&P 500	A stock market index tracking 500 companies in various industries with a large amount of market capitalization.
Time value		Portion of an option price that is in excess of the intrinsic value, due to the amount of volatility in the stock; sometime referred to as premium.