

Title:

Currency Options give you Unlimited Profit Potential with Limited Risk

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Summary:

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What you need to do is know how to use currency options correctly which the bulk of traders fail to appreciate.

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Article Body:

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Getting the Odds on Your Side

We are not going to go into details about how currency options work, there's plenty of free information on the Internet - here we're going to look at strategies to increase your odds of success.

Potential Rewards are not what they Seem

The first thing a trader needs to consider when buying an option is how much time is needed, and what strike price is a good target.

Many inexperienced currency options buyers look at the profit potential, and don't consider the potential losses.

They buy strike prices too far out of the money, and options that are too close to expiry.

Just like the mug gambler who always backs the outsider, they lose their bet.

So, How Can You Increase the Odds of Success?

There are two points to keep in mind:

1. Time to expiry of the option
2. The strike price targeted

Firstly, you need to keep time on your side, and buy strike prices that are not too far out of the money - buy "in the money", or "at the money" options.

Your profit potential may not be as great, but your risk will be reduced - and your chances of Success far greater.

Keep in mind your option does not just need to go your way from when you bought it - it needs to trade in the money by expiry.

For example, a trader sees the pound trading at 1.70 and buys a 1.90 call. The price goes the way they thought and reaches 1.87 - they then run out of time and the option expires worthless. This happens all the time - prices move in the right direction, but the trader makes no money.

The trader feels they were unlucky - and tries the same again.

However, keep in mind "being close" does not make you money in options trading!

To make money in options you need to buy in the money options, with plenty of time value - this will increase your odds of success dramatically.

How to Buy Currency Options in Longer Term Trends

When trading the longer-term trend, position yourself into the trend in the following way.

- . Identify the long-term trend via technical analysis
- . Wait for a dip in the currency to position yourself in the trend.
- . Watch for dips to support - and then look for confirmation with stochastic crossovers, or other momentum tools to initiate the trade.
- . A great way of buying options in the long-term trend is to look for dips to

the middle of a Bollinger band to time entry. This is a good timing tool in strongly trending markets.

The above is a simple strategy, and one that can help you make big profits from currency trend following. Use options correctly, and you will have limited risk, unlimited profit potential and great odds of success.

Don't make the mistake that most novice traders do - make sure you use time to your advantage - and keep those strikes in, or near the money, and you will create big capital gains longer term.