The Future of Trading:

BINARY OPTIONS

Binary Trading:  
As Simple as Yes or No
Don’t Just Watch the News—Trade It

Limited Risk, (Virtually) Unlimited Opportunity

What Does the Future Hold for Binary Options?
Where all of your trading analysis and intuition comes down to “NO” "YES" or "NO"

It’s the future of trading. And it’s available now at Nadex.com

Futures, options and swaps trading involves risk and may not be appropriate for all investors.
Anyone familiar with conventional trading knows its drawbacks, starting with the barriers to entry. Basic stock trading accounts can have $2,500 or $5,000 minimums. If you want to trade options on even commonplace commodities and indices—gold, crude oil, currencies—you may face even higher minimums and onerous qualifications just to get started.

Overcome those barriers, and you still face more risk than many traders can tolerate. If the market moves against your position, you could experience losses you cannot afford, maybe even a margin call. True, you can get some protection using stop-loss orders, but how often have you been stopped out by a momentary dive, only to watch the market turn around and rally?

To avoid one risk (excessive losses) you have to take on a different risk: getting kicked out of the trade altogether. That’s not much of a choice.

Binary options eliminate these negatives. These straightforward trading vehicles rely on “yes or no” propositions, giving a trade only two possible outcomes. Will crude oil exceed $49.15 by 4 p.m. today? Will the Euro be above $1.22 by noon tomorrow? Will the next unemployment report affect the S&P Futures positively? The answer is frequently simple—and can be profitable.

Available from Nadex (North American Derivatives Exchange), binary options have a fixed payoff upon expiration of either $0 or $100. However, you can also buy and sell them at any time before expiration at a price less than $100 that reflects the probability at that moment that the outcome at expiration will be “yes.”

Imagine the price of gold is $1,122 at 1:15 p.m. and has barely moved for hours. Traders may see little probability that gold will rise three dollars in the next 15 minutes until expiration in such

With binary options, you don’t have to get kicked out of a trade to avoid excessive losses.
a flat market, so the binary option for Gold>$1,125 may trade for only $20. In effect, the market is saying there is only about a 20 percent chance the price will go above $1,125 by that time. That means sellers of the Gold>$1,125 have about an 80 percent chance of profiting.

However, if gold is selling for $1,124 and it’s been a volatile day, bullish traders—confident of a $100 payoff at 1:30 p.m.—may buy and sell Gold>$1,125 somewhere near $45, reflecting their belief that gold has a good chance of topping $1,125 at expiration.

Because no option can ever be priced outside of the $0–$100 range, you always know what your maximum loss or profit can be. If you buy 10 binary options at $50 each and the payoff criteria are not fulfilled at expiration, you can’t lose more than $500 (10 times $50). If the criteria are fulfilled, you know the options will pay $100 each for a net gain of $500. No other outcomes are possible. Nadex doesn’t even have a procedure for issuing margin calls—they don’t have to.

Binary options disrupt traditional trading by being clear about what traders can expect and by opening a world of opportunity to them. “You can come to Nadex with an initial deposit of as little as $100, and immediately trade in markets such as commodities or forex as a self-directed trader,” says Nadex CEO Tim McDermott. “It doesn’t matter if the market takes a momentary move against you. You can stay in that position and let the market come back, as you expect it will, to a point at which your binary option is profitable.”

With binaries, you know your risk up front, you can’t get stopped out and you can trade stock indices, commodities, forex, economic events and even Bitcoin all from one account with a low opening minimum. “It’s a limited-risk, low-cost way to trade that eliminates regrettable moments of 20/20 hindsight, while allowing traders to make full use of their market analysis and intuition,” McDermott adds. “After years of popularity in massive global markets like the UK and Japan, binary options trading is finally exploding here in the United States.” And for good reason.

— Ron Geraci

Ron Geraci is a writer for Bloomberg Custom Content. In his over 20 years covering the worlds of investing and finance, he has edited the “On Your Money” column in AARP The Magazine and the “Men’s Wealth” column in Men’s Health magazine.
Limited Risk, Multiple Opportunities

**Buy Here**
The market is well below the strike price, so the option will be cheap to buy. If the market goes above the strike price, that cheap option will be worth more. If it stays below, your loss will be small.

**Sell Here**
The market is above the strike price. Rather than buy an in-the-money option, sell it for a lower cost. You profit if the market drops and keep the full $100 if it's at or below the strike price at expiration.

**Buy With Risk Protection**
The downtrend may be turning around—or not. Buy here and the market could go lower. Fortunately, you know your maximum loss. And you won't get stopped out, so if and when the market turns up, you're still in the trade.

**Hold or Take Profits Early**
If you bought an out-of-the-money option below this strike price, it's now in the money. If you think the trend will continue and it will expire above the strike price, you can hold on. Otherwise, take profits early.
Where you can trade multiple markets all from ONE ACCOUNT.

It’s the future of trading.
And it’s available now at Nadex.com

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Don’t Just Watch the News—Trade It

You read and watch the news. You talk with friends about how the markets might react to current events like the latest unemployment report or election. How many times have you predicted that a market would go up or down based on the day’s news, and then watched it prove you right? Now, how many times have you turned that opinion into an opportunity to profit? Probably not as often.

The reason is simple: If your financial choice is limited to your stock investments, then having opinions on short-term events like weekly jobless claims, a credit crisis in Asia or unrest in a conflict zone doesn’t help you take action. Sure, you can trade in the short term by hedging with futures or trading options, but that can be too risky and require too much capital.

It’s easy to feel frustrated, even a little helpless, at not being able to exert some control. You already participate in the markets as a consumer, employee, investor and taxpayer—shouldn’t you also be able to turn your informed opinions, and even hunches, into profit opportunities?

Exchange-traded binary options offer that opportunity. You make a manageable commitment of time and capital in exchange for a limited-risk, capped-profit instrument that lets you trade a wide cross-section of the world’s markets. Nadex, the first and largest CFTC-regulated binary options exchange in North America, offers binaries on global stock indices, forex, commodities, Bitcoin and economic report numbers—all on one screen.

That gives you the flexibility to choose among the various markets and their reactions, both immediate and delayed. For example, you could trade a two-hour binary option on the euro, and a weekly binary on the DAX. You can even trade the event itself.

Exchange-traded binary options can turn short-term events into profits.
If your financial choice is limited to your stock investments, then having opinions on short-term events like the weekly jobless claims doesn’t help you take action.

“With binary option trades, you can actually enter into a position based on what a particular economic number might be,” says Nadex CEO Tim McDermott.

Traders can take positions on the nonfarm payroll, the Fed Funds rate and jobless claims numbers themselves, independent of the market’s reaction (or non-reaction) to them. As with all Nadex binary options, the risk is limited to the initial cost, which is always less than $100 per option contract. You can never lose more than that.

What if you believe the market will react to a news event, but you’re not sure how? According to McDermott, “If you’re not sure the market will go up or down, you can buy two binary options at strike prices above and below the current price level.” Done properly, the profit on one will outweigh the loss on the other. And if the market moves in both directions, it’s even possible to take profits on one first, then the other.

Even for a long-term investor, binary options offer an innovative, affordable way to offset short-term drawdowns in your stock portfolio. Because binary options express short-term opinions, those with a long stock portfolio can sell stock index binary options as an informal hedge against market fluctuations, without needing to commit to a costlier hedging strategy. After all, mutual funds hedge in the stock futures markets every day. Why shouldn’t individuals be able to do the same?

Limited risk is built into binary options and spreads by design. Unlike stocks or futures, which rely on traditional stop-loss orders, binary options let you limit your losses without the risk of being stopped out. Even if the binary’s value goes to zero, you remain in the trade until you choose to exit or the option expires.

Nadex members can trade multiple asset classes from one account, so a dedicated forex trader can take a position on, say, crude oil prices. She could
even trade the digital currency Bitcoin, applying her forex trading skills to the new market without the risk of actually owning Bitcoins. Binary options offer limited risk and virtually unlimited opportunity to trade your opinions on the world’s markets, from the China 50 stock index and the euro exchange rate to soybeans and next week’s jobless claims number. — RG
Trading and investing, even in mainstream ways, can bring bigger risks than many can tolerate. Stocks and funds can lose value unpredictably—sometimes in minutes. Even index funds, which outperform managed portfolios over the long term, can have large drawdowns, as we saw during the financial crisis.

More aggressive vehicles, like futures and forex, have become even riskier with the rise of high-frequency trading. Individual traders are finding it harder to get favorable returns with risk levels they know they can handle.

Add the sometimes hefty fees, and it’s no mystery why many smart people are still shy of the markets. Even while the S&P 500 has nearly doubled since 2009, the volume of trading done by individual stock, futures and forex traders has dropped. That means that a lot of people are leaving a lot of potential profit untouched.

But who can blame the average person for not wanting to take on the same potentially unlimited risk as large institutions? You know your monthly mortgage payment before you buy a home. So why can’t you know your maximum risk before you enter a trade?

With Nadex binary options, you decide your maximum risk and reward before you enter the trade. Once you’ve done so by buying or selling, you can’t lose more than that maximum, no matter how far the market moves against you. What’s more, you don’t get stopped out. Your option might go to nearly zero value, but you still have a chance to recover if the market turns around. Up until the contract expires, you only exit when you decide to.

“This takes a lot of the massive, unknown risks out of the trading equation,” explains Nadex CEO Tim McDermott (pictured). “Your losses can’t exceed the money you’ve put up to trade, and that’s a key difference that the binary options offered on Nadex provide as compared to other retail products.”

Limited Risk, (Virtually) Unlimited Opportunity
By limiting risk and lowering collateral requirements, Nadex democratizes access to the market, allowing almost anyone to test their market knowledge and intuition. You can execute trades by putting up as little as $5 for a binary option contract, which could return up to $95 in minutes.

Nadex contracts are “fully collateralized,” meaning you can only trade with the money in your account. In other words, you can never get a margin call. And since Nadex is regulated by the U.S. Commodity Futures Trading Commission (CFTC), you know that they will never take the other side of your trade. Their job is strictly to match buyers and sellers and make sure the transactions are handled correctly and transparently.

With that security at your back, your trading experience becomes profoundly different. When you’re not so worried about the risk side, you can look more confidently at the reward side.

Nadex offers binary options and spreads on stock indices, forex, commodities, economic events and even the digital currency Bitcoin—all from one account. All of these options have the same predefined maximum profit and, most important for risk management, a maximum possible loss.

You also have an enhanced ability to profit in flat markets. Because binary options expire with an all-or-nothing outcome, even a binary that is only one tick in-the-money (meaning profitable) will still get the full $100 payout. You only have to be a little bit right to get the full reward.

With Nadex, your risk is truly calculated. In exchange, you also accept a maximum possible profit, which gives you a specific goal you can plan your trade around. Instead of making decisions tainted by fear, you can plan your trades based on solid numbers.

That’s why binary options and spreads offer such an attractive future for traders who are not satisfied with the choices of the past. Limited risk, a wide range of the world’s markets available from one account and the security of a U.S.-based, U.S.-regulated exchange that offers a low cost of entry: That combination means a new kind of trading experience for so many of us who, quite frankly, deserve better choices and a level playing field. – RG
Where you can get out when you want and

YOUR RISK IS ALWAYS LIMITED

It’s the future of trading. And it’s available now at Nadex.com

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What Does the Future Hold for Binary Options?

Binary options are rapidly growing in popularity in the U.S., as investors embrace the low-cost, low-risk vehicles that have been popular in the European and Asian markets for years. Increased awareness, along with superior accessibility, are the driving forces; binary options appeal to everyone from new traders looking to enter the markets at a comfortable cost and risk level, to sophisticated traders and institutions, which now routinely use them to hedge and diversify their portfolios.

Nadex, a CFTC-regulated exchange, is continuing to see strong membership growth and record trading volumes in their binary option contracts, and now lists over 5,000 contracts per day. The highest volume is in the US 500 (based on the E-mini S&P 500 Futures index) and the Euro/U.S. dollar exchange rate, with growing volume in a wide range of assets including gold, the China 50 stock index and Bitcoin.

“Relatively speaking, binaries are still very new to the North American markets, and we’ve only scratched the surface in the United States,” says Nadex CEO Tim McDermott. “As more people learn about their benefits—such as their limited risk, their ability to let traders participate in the market without the same upfront costs as conventional trading and their ability to make money in flat markets—I think their popularity will continue to grow at an impressive rate.”

Though binary options are disrupting the conventional trading market in the U.S., McDermott stresses that Nadex isn’t necessarily competing with other exchanges, but can instead complement them. While seasoned traders use binaries as hedging agents, new traders can use them as low-risk tools to gain experience.

“Using binary options is a great way to learn the underlying markets,” says McDermott. “You can come to Nadex and learn how to trade contracts based with limited risk, binary options help train new traders.”
on, say, the S&P 500. New traders will learn that market—how to take profits and cut losses, when to hold or get out of a position. If they want to start trading S&P 500 futures after gaining that experience, they can do so much more confidently and effectively. This makes Nadex a welcoming arena that can easily bring new people into the trading business."

To accommodate the surge in traders, Nadex continues to evolve its online and desktop trading platforms and the Nadex mobile trading apps for iPhone, Android and Windows. Nadex recently began offering immediate “fill or kill” limit orders and the ability to fund an account with a debit card—innovations that directly respond to client needs and bolster ease of use. “We’re really proud of the active role our members take in our process of continually enhancing our platforms and services,” says McDermott.

Debit card funding, in particular, makes it easy for individuals to start trading—often within minutes—using an interface as simple as online shopping. This focus on meeting the needs of members makes for a more community-based business model. Add to that the limited risk inherent in binary options and you have a different trading experience than has ever been available in older, conventional trading.

Few would argue that the future of trading should involve manageable risk, a low cost of entry, a level playing field and a wider range of markets and opportunities to profit. Innovations in traditional investing and trading are starting to move those markets toward such a future, but slowly. Meanwhile, exchange-traded binary options are bringing that future to a growing number of enthusiastic traders in an innovative, easily accessible way. And they’re doing it right now. – RG
Binary options allow traders and investors to...

- Trade simple, easy-to-understand contracts spanning global markets, based on a yes/no proposition (for example, “Will gold dip to $1,090 or lower by 1 p.m.”), which pay either $0 or $100 upon expiration

- Buy and sell these option contracts on a CFTC-regulated exchange by paying a small amount of collateral, which is always less than $100 per option and typically a fraction of the amount required to trade in conventional markets

- Trade global stock indices, forex, commodities, economic numbers and even Bitcoin—all from one account

- Enjoy enhanced leverage, by needing to be only a little bit right (and not needing a big move) to receive the full settlement payout at expiration

- Trade with real-time live pricing based on the market’s collective expectation of the contract’s predicted outcome, up until moments before the expiration time

- Trade in small amounts, creating a low barrier to entry to test their intuition and overall market knowledge

- Keep risk tightly capped in all circumstances. Traders can never lose more than the collateral required for each trade (under $100 per contract) and always know their maximum possible profit and loss before making a trade

- Trade the price of any underlying asset in U.S. dollars without having to own any of those assets or currencies

- Find lucrative trading opportunities even in the flattest markets, 23 hours a day, six days a week

- Trade either for specific direction or sheer market volatility

- Immediately trade on news or current events in a simple, low-cost way

- Get more solid protection than a stop-loss order, with no risk of getting stopped out of a trade during a temporary market spike

- Protect their portfolios using strategic, low-cost instruments that profit if the market moves against the trader’s primary positions

- Gain valuable trading experience with capped risk and low costs, allowing any trader to venture into underlying markets with greater confidence and effectiveness
Where your account is always

PROTECTED FROM MARKET SPIKES

It’s the future of trading.
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