

How to Make Money Trading Binary Options

Binary options trading can be very lucrative. With returns of more than 75% in an hour, you can make money very quickly. However, that fast movement of money is a double-edged sword. You can also lose money very quickly if you don't pay attention to some basic principle. If you follow these three keys, you will greatly increase your odds of success.

Don't Overtrade

Warren Buffett once said, "There are no called strikes in the market." What Mr. Buffett meant was it's okay to pass on as many trades as you like. You don't get hurt passing on opportunities. This particularly holds true with binary options, since new options with new strike prices and new expirations are being continually issued.

Becoming too active or acting too quickly will burn you when trading binaries. Take your time and do your analysis. Don't trade on gut feelings or hunches. If you miss out on a winning trade, don't worry about it because there are constantly new opportunities being created. Don't feel rushed to jump into something just because you see it start to move. If you ever feel like you're trading too much, take a step back and call it a day. There will be dozens of new opportunities tomorrow, and you'll have a much clearer head to view them with.

Manage Your Position Sizing

The great thing about binary options trading is that you can make very high percentage returns in a very short period of time. However, this fast movement in money is a double-edged sword. You can also suffer high percentage losses in a short period of time. Because of this, it's critically important that you don't take too large of a position in any particular contract; regardless of how confident you are in the trade's probability of success. Don't fall into the trap of, "betting the ranch on a sure thing". You may have some of those trades go your way, but it's just a matter of time before one of them burns you.

Position sizing is important because no matter how good or how thorough your analysis is; even the best traders will inevitably end up in a bad stretch of losing trades. If you've managed your trade sizes appropriately, you will live to trade though it until trades are going in your favor.

We recommend that you don't ever put more than 5% of your binary trading account into any one contract. If you start out funding your account with less than \$600, you won't be able to abide by this rule, because the \$30 trade minimum will be more than 5% of your account. If you simply don't have \$600 to start out with, that's fine, but just understand that you are putting yourself at a higher risk of clearing out your account if you have a few bad trades in a row.

Use Charts Appropriately

There are many different techniques and theories behind technical analysis. We have found that for most successful traders, it's not the technique that used, but how it's used that determines the ultimate success or failure of the trader. If you have a technical analysis plan that has been back tested for accuracy, it's important that you apply it consistently, and don't second-guess the data. If you can't fully trust your strategy in this fashion, you're better off finding a new strategy.

The other important item regarding your charts is to use a time interval that is appropriate to the short-term nature of binary options. We typically recommend 3-minute charts for all trades that will expire that same day, and hourly charts for any contracts that expire at the end of the week. As always, back test for accuracy within your strategy, but there's no point in looking at a daily or weekly chart when trading binary options. To learn more or to get started trading binary options today, visit: <http://www.optionsexplained.com>

About the Author

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