

Forex Options Tips - Tips to Increase Profits and Decrease Risk!

If you have never considered using Forex Options then you should. They can simply overcome the major problem most Forex traders face - getting stopped out by short term volatility...

A Forex Option gives you unlimited profit potential and your risk is simply the price you paid for the option. This means, prices can go anywhere in the short term but so long as the option trades above the price you bought it at, in a rising market or below in a falling market you make money.

How many times have you been stopped out by short term volatility, only to see the price go right back the way you thought they would, making thousands of dollars and you not in the trade?

It happens to most traders!

Picking the direction of the long term trend is easy; balancing the risk reward in the short term is the hard part. You want to be in the trend - but you don't want to have to worry about short term risk. Staying power is the key advantage Forex options give you.

Options are a great tool to limit short term risk - but you need to use them correctly and here are two simple tips.

1. Always Buy at or in the Money Options.

Never buy way out of the money options, as these are long shot bets.

Sure the profit potential is bigger, if the strike price is hit but the key word here is "if"; out of the money options, are the equivalent of outsider bets and the outsider doesn't normally win!

2. Get Time on your Side

The closer the option is to expiry, the more time decay plays a role in option value. Never buy options with less than 3 months to expiry, so you have plenty of time on your side.

Options the Ultimate Risk Control Tool!

Forex options are a powerful tool any Forex trader should look at to deal with volatility and gain staying power. The problem most of the time is not deciding where a currency will go long term but where to place your stop and options take care of this problem, by giving you staying power.

If you don't know much about options, then make them part of your essential Forex education and add a valuable tool, to your armoury for bigger Forex profits.

About the Author

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