

Published based on [Binary Options — An Attractive Trading Alternative](#)

Binary Options — An Attractive Trading Alternative

If you're looking for a different way to trade, which will expand your growth opportunities without increasing the risk to your portfolio, binary options might be just what you need.

Predicting Rises and Falls

[A binary option](#) is so called because it offers only two possible outcomes. You are predicting something will either rise or fall in value over a set period and are staking a certain amount of money on the result. If your prediction is correct, you win a set percentage of your stake, otherwise you lose a predetermined amount. Because there are only two possible outcomes, binary options are sometimes known as digital options or 'all or nothing' options.

With binary options, you choose the asset to invest in (it could be a stock market, an individual stock, a commodity or a currency), the size of your stake, the length of the period and the way the asset will move. If you expect it to rise, purchase a 'call' option; otherwise, choose a 'put' option when predicting a fall in value.

You will know how much you stand to gain or lose, which will be quoted as a percentage of your investment. Consequently, once your chosen period ends, you will be aware how much you have won or lost. When you predict correctly, you are referred to as being 'in the money' and are paid the set percentage of your stake. Getting it wrong means you are 'out of the money' and lose the stated amount.

How It Works

As an example, the Euro may have reached 1.45907 against the US Dollar but you expect it to rise further during the day. You may purchase, through an organization such as [Banc De Binary](#), a \$500 call option that expires at 9am the following day, receiving a payment of 75% if you're right and losing 90% if you're wrong. If the price is \$1.46 by 9am, you gain \$375 in less than one day. If it's 1.45, you lose \$450.

Binary options can be of two types — 'cash or nothing' where you receive a fixed amount if you end up 'in the money' or 'asset for nothing' where the payout depends on the asset's value.

With markets becoming increasingly volatile, binary options are a popular investment tool.

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