STOP TRADING STOCKS & FUTURES THE OLD FASHIONED WAY

Trade Options With Minimal Risk Strategies

Harsimran Singh, Ph.D.
Author of Stock Options - Work 1/2 Hour A Day
STOP TRADING
STOCKS & FUTURES

THE OLD FASHIONED WAY

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By

Harsimran Singh, Ph.D.
Dedication

I dedicate this book to millions of people who lose money every day to few seasoned options traders. The losers are mainly buyers of options. I hope this book will serve as a wake up call to those who lose their hard-earned money because of a lack of some pure knowledge about options trading.
Preface

I am one of the happiest people in the world.

Not because I rose from the slums of India to the mansions of America but because I was able to give back to the nation where I landed with a total of $8 in my pocket in 1973.

I gave back by establishing one of the largest Sikh Temples on Long Island for spreading the message of peace in the world.

And by writing 13 motivational books that helped to change thousands of lives.

I hope that the book in your hand will help to change the old-fashioned method of trading stocks and futures used by millions.

Before you would learn how to make money, I will teach you how not to lose money.

These strategies did not come natural to me. At times, I traded over $100 million in my account to learn them.
I present to you a bouquet of roses which were surrounded by thorns all around.

Good luck trading

Harsimran Singh, Ph.D.
Foreword

Dr. Duke

- Is a frequently invited speaker at the Money Show, Trader’s Expo, and the Forex and Options Expo conferences.
- Has over thirty years of experience trading in the equity markets and has traded options for income generation since 1999.
- His formal finance training includes graduate-level business and advanced options training at the CBOE Options Institute.

Dr. Singh’s latest book, *Stop Trading Stocks & Futures the Old-Fashioned Way*, is an excellent reference for conservative investors.

Many people only know of options from the horror stories they have heard about someone making 300% on a trade one day and then losing nearly all of the capital in his account the next day. Index and stock options may be used for very speculative trades. One of the basic financial laws of investing, regardless of the market or financial vehicle, is rather simple:
Higher Returns Only Come With Higher Risk

You probably learned the corollary from your parents:

There’s No Free Lunch

Very conservative institutional and individual traders successfully use options trading strategies every day. But that doesn’t make the financial news, and it doesn’t make compelling marketing copy.

Dr. Singh discusses several of his unique trading strategies in the following pages. These plans range from relatively simple trades such as selling the far out of the money stock put option, to rather complex trades, such as Dr. Singh’s Four-Legged Strategy. But all of his trades are a high probability, conservative trades.

Dr. Singh’s trading services have two common denominators:

- High Probabilities of Success

- Continual Attention To Risk Management

All of Dr. Singh’s recommendations are high probability trades. In fact, Dr. Singh even distinguishes his “Ultra Conservative Strategies” from his “Conservative Strategies.” Contrast that with the regular trading “gurus,” who emphasize the large potential gains from the proposed trade, but they fail
to tell you how low the probabilities are for that successful outcome to occur. They are selling the “sizzle.”

But even high probability trades don’t win 100% of the time. That is why every trade recommendation made by Dr. Singh includes a stop loss price that should be used to trigger a closing trade automatically.

The trading strategies outlined in this book will serve the conservative investor well. But don’t rush the process. Start small. Give yourself adequate time to build experience before scaling up. Think back to when you started your profession fresh out of school. How long was the learning curve before you were a confident, accomplished professional in your field? This journey is no different.

I am confident you will enjoy this learning process with Dr. Singh’s guidance.

Kerry W. Given, Ph.D.
Parkwood Capital, LLC
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I am incredibly grateful to the following people for their contributions to this book:

Eliot Blat and William Ray who read, reread and helped edit this text.
Read This First

I have written this book in three parts.

**Part 1** is devoted to the reasons why you should trade options and not stocks; it explains what trading stocks are and how the whole process works. It is designed to completely transform your thought process on how to be extremely lucky in life by trading options rather than stocks. Through the reasons why you should not trade commodities outlined in the section you will be motivated to read it for surprising results.

During the process of teaching you different strategies, I am bound to be wrong, not one time, but many times on a short-term basis. The reason is straightforward. Short market movements tend to behave in a very inconsistent manner. The idea is relatively straightforward. On a quick basis, the market is governed by psychological forces. We have yet to come up with an instrument that can predict or measure human psychology. Hence, your wrong strategies are bound to be right many times and vice versa. Once you have made money utilizing one of these approaches, you become victim to your wrongdoings. At one time or another, you end up losing all your gains and more.

The hardest part in the game of trading is to kill your ego. Your ego is the most prominent adverse force which may lead to
disasters. Before placing an order for a trade, you have to convince yourself that the market may point your stock in the opposite direction and you don’t know the course of the market. You are bound to be right at some time or another. Once you are right, you tend to forget the number of times you were wrong. This is only human nature, and it is difficult to fight against it.

Be greedy. Buy when most people are selling. Also, be fearful. Sell when most people are buying. I do not mean that you should always buy when the market is falling or sell when the market is going up. You must still stick to your fundamental principles of trading. Your moods and daily life should not be governed by the graphs of Dow Jones.

Trust me, if you don’t have self-discipline, don’t trade in the stock market. You are better off not reading another page of this book. Have fun in a casino and satisfy your gambling instincts there. Losing in casinos may be much cheaper than losing your hard-earned savings in the stock market. I know it is easier said than done, but you have to develop self-discipline whereby you control your greed and fear. I have attempted to teach self-discipline in this book.

**Part 2** is devoted to the reasons why you should trade options and not futures; it explains what trading futures are and how the whole process works. It is designed to completely transform
your thought process on to be hugelylucky in life by trading options rather than trading futures. Through the reasons why you should not trade prospects outlined in the section you will be motivated to read it for surprising results.

**Part 3** is designed to show you a practical way to utilize the lessons in Part 1 through options trading. I explain to you my balanced, protected, and proprietary options strategies that helped me achieve a 90% and above success rate.

This part thoroughly offers insights and critical strategies and shows how you can use this approach to make your dreams come true.
Contents

Dedication ................................................................. 3
Preface ........................................................................... 4
Foreword ..................................................................... 7
Acknowledgments ...................................................... 10
Read This First .......................................................... 11

PART 1: TRADING OPTIONS ARE BETTER THAN TRADING STOCKS .... 18
Chapter 1: What are stocks? ................................. 18
Chapter 2: How the Stock Market Works .......... 21
Chapter 3. Basics of Investing ......................... 29
Chapter 4: Stock Types and Class ................. 36
Chapter 5: Stock Brokerage Services .......... 42
Chapter 6: Stock Trading Strategies ............ 53
Chapter 7: Stock Trading Tips ....................... 58
Chapter 8: Why you should not trade stocks ...... 65

The Cost of Stock Trading .............................................. 65
Stock Trading Mistakes ............................................... 69
Stock Trading- Some Information You Should Know ...... 80
Disadvantages of stock trading ............................... 82
Risky stock trading ...................................................... 87
Reasons to avoid stocks ............................................. 91
The Pros and Cons of Investing In Trading Stocks .......... 95
Chapter 21: Basics of options trading. .... 171
What are options? .................................................. 171
Types of options ...................................................... 173
Put option ............................................................. 173
Long Put Option .................................................. 174
Short Put Option .................................................. 174
Call option ............................................................ 175
Tax Management option .................................... 176
Income Generation option .................................... 176
Speculation option .................................................. 177
Why use options? ..................................................... 177

Chapter 22: How to start making money by trading options. ............................................. 180
Steps to take to ensure successful options trading. .......... 180
How do options work? .................................................. 183

Chapter 23: Beginners guide to trading strategies involved in options trading ...... 185
Beginner Strategies to Try ........................................... 185

Chapter 24: How Options Are Priced ...... 200
Major influences ...................................................... 200

Chapter 24: Tips and Tricks for Avoiding Costly Mistakes .............................................. 204

Chapter 25: Selling Naked Puts ............... 207
Monthly Bull Put Spreads ......................................... 210
Weekly Bull Put Spreads ......................................... 211

Chapter 25: Four Additional Powerful Strategies ................................................................. 218
DR. SINGH’S NEARLY ZERO RISK STRATEGY ...... 219
DR. SINGH’S 3-LEGGED STRATEGY ....................... 227
Dr. Singh’s 4-Legged Strategy ................................. 233
Dr. Singh’s Riskless Strategy ................................. 241
Questions and Answers ........................................... 245
PART 1: TRADING OPTIONS ARE BETTER THAN TRADING STOCKS

Chapter 1: What are stocks?

When looking for a place to grow your money, there are various options that you can explore. You could save your money at home in a large jar so that you can spend it later, or you could put it in the bank and watch it earn simple interest. Another option would be to purchase stocks, which can give you an excellent return.

A stock can also be referred to as a share, and it is a share in the ownership of an organization. Owning capitals does not make you responsible for the day to day running of the company. You can, however, benefit when the company becomes profitable. The reason this is possible is that owning stocks allows you to claim the overall earnings of an organization, as well as any assets that they may possess. The benefits you enjoy can increase with the more stock you purchase and hold from the organization.

To prove that you are the owner of some stock, you will be presented with a stock certificate to verify your ownership. This license is available as a physical copy or an electronic copy. Electronic copies are more preferred than physical copies as they make it much easier to trade the stocks. Whereby in the past it was necessary to deal physically with brokerage, today, everything can be completed with the click of a mouse.
What is Stock Trading?

The value of stocks is not stagnant. Stock values go up and down several times in a given period (A day, a week, a month and so on). Many people look forward to their stocks appreciating in value so that they can sell them and get a good return on their investment. This in a nutshell, touches on an aspect of stock trading.

There are different types of investors in the stock market. There are those who purchase stocks one time and then sit back and enjoy a dividend payout on an annual basis. Then there are those people who buy stocks with the sole intention of selling them when their value has gone up. These types of investors are interested in both buying and selling of shares, which is also known as stock trading. This buying and selling aim to make a profit. Stocks are traded on the stock exchange.

If it were that simple to make money on stocks, then everyone would be trading in them. However, there is one concerning element to stock trading, and that is high risks. There is always the risk of losing your entire investment if the stock that you purchase depreciates. That is why before you dive into the world of stock trading, it is crucial to have some primary education on trading, which will help with planning as well as avoiding falling into the various traps that befall some investors. It should, however, be noted that any investment
requires some bit of risk-taking, so risks are not only expected in stock trading.
Chapter 2: How the Stock Market Works

At the most basic level, stocks are co-ownerships in companies. Let’s start with a small-scale example that might seem a little silly, but illustrates the mechanics involved merely. Say you started a lemonade stand that made $10 a week. You’ve been able to save up $20 so far after you’ve paid for your lemons and sugar and other expenses. You want to expand your stand into a multi-strand lemonade empire that spans your whole neighborhood, but you need more cash than $20 to do this. So, you go to your mom (the bank) and say, “I want to sell shares of my stand to generate enough cash for my expansion.” Your mom takes a look at your company’s earnings and structure and decides that you’re a sound investment. Next, you and your mom go to all the other members of the family and offer to sell them $\frac{1}{5}$ of your company for $2 each. They buy them thinking, “Even if the stand only makes the $10 that it has been making, it will still have the money to pay me my full investment at the end of the week. Happily, the expansion is very successful. You open two new stands with your cash and the investment money, and the following week you get $25 instead of just $10. You now go to your family members and say, “The shares you bought last week are now worth $5 instead of $2. You can take your profits now, or you can allow me to continue to use that money for the next expansion effort: offering brownies. We expect this
new product to earn us, even more, money, so you might be able to increase your profit even further.”

Some of your family members love this idea and decide they’ll stick with you. Your sister doesn’t, she sells her stock, and now that share of the profits is yours again. Instead of just holding on to it, you decide to “go public” with your inventory. You split this $\frac{1}{3}$ share into ten smaller shares and then go to the town meeting with your new public stock. In your particular town, this is very normal, and lots of other people there have public shares of their stocks. Billy’s Car Washing Company, Linda’s Dog Walker, Susie’s Lawn Mowers are all represented. There, neighbors can invest in all the kids’ companies. You announce the value of your stock, and your neighbors can decide if they want to buy some.

Now if we take this example, turn weeks into years, and increase the dollar figures exponentially, we have the basic structure of the stock market. There are some other key players we need to factor in, though.

First off, each company isn’t owned and run by one person usually. Instead, there’s a board that votes on big decisions like what should be done with the profits, and therefore with the stocks. Let’s take a look at another fictional company to see what role the board plays.
Popper’s Pinatas Inc
$40 per share
20,000 shares outstanding
Market Capitalization: $800,000 ($40 x 20,000 shares)
This company made $100,000 in profits this year.

When this $100,000 is divided among shareholders, it yields a profit of $5 for each share. The board of directors comes together and decides whether to do some or all of three things: pay out a cash dividend to shareholders, repurchase its stock, or use the money to expand or improve the company.

Another player in the real stock market that was missing from our lemonade stand example is the stockbroker. If you imagine the whole town in the meeting above, each one is shouting and jockeying for the stocks they want; you can see how little would get done. The actual marketplace is much, much bigger, so we rely on brokers to do the buying and selling. These are representatives of shareholders who take a list of intentions, called orders, into the market and fill them on behalf of the customer.

Without experience, trading in stocks can be a disaster for your finances because you can lose everything by choosing the wrong stocks. Therefore, you should get a little help so that you can find your feet, and then you can begin to trade in a profitable way. So when you start buying you should: -
Start with a Broker

Once you have your initial investment amount ready, you should hire a qualified and professional broker to begin trading stocks on your behalf. Make sure to learn all the terms and jargon of trading from this broker, so that when you start selling on your own, you understand exactly what you are doing.

An excellent stockbroker will be able to explain things to you clearly, and should also be on hand to offer you trading advice whenever the situation should arise.

A broker will offer you three types of services. These include:

**Discretionary Services**

These are available for the investors who are only interested in a return on investment, and not on the process of getting that return. The stockbroker is given total authority to buy and sell stocks without requiring the approval of the investor. This is excellent in a fast-changing market as the broker can quickly react to market changes and then make a profit.

**Advisory Services**

This kind of services allows for the investor to have greater control of their investment. The broker needs to consult the investor before any decision is made. The broke suggests the best course of action when building up a portfolio, and the investor can then choose what should be done with the
investment. Brokers are also available on the phone for consultation.

**Execution Services**

These are the cheapest support services as they wholly depend on the investor and their personal opinion. The broker has a minimal role to play, and that character is merely buying and selling the shares as recommended by the investor. No advice or management of the actual stocks is necessary. This service has increased in popularity over the years as more and more amateur investors improve their skill through using the internet and telephone to do their trading.

**Practice Online**

There are websites available online that will allow you to practice how to trade stocks before you get started. These sites are a good idea if you are working towards eventually being able to purchaseshares on your own. Their main advantage is that you will save money as there will be no need to pay a broker. Websites will also often have some value-added features that make stock trading simpler. These include tutorials, live chats, and advice, loans and credit cards.

**Using Market Orders and Limit Orders**

A market order is a tool that you can use when trading in the stock. What it does is to sell your inventory at the best
available price at a particular moment in time. It is an excellent way of ensuring an investor gets the most out of a trade. However, its disadvantage is that it has a time lag, and in a rapidly changing market, an investor may receive less than they had anticipated.

A limit order differs slightly from a market order. These requests will create a price window, outside of which, the investors stock will be traded. The advantage of this is that one can enjoy reasonable prices for their share. However, the disadvantage is that these orders have a special commission that needs to be paid.

Once you have chosen your ideal trading method, you should take note of the stock market opening and closing times. This will determine when you can trade successfully in stocks, and also how you can discern stock price displays and stock trading tables.

**Reading Stock Price Displays**

Understanding how to read stock price displays will make it easier for an investor to discern what is happening as well as to communicate with their broker if need be. Stock prices are quoted using a two-way price methodology. In this method, you can see the bid and the offer spread. The submission refers to the amount that you can sell your stock, whereas the offer relates to the amount that you can buy your stock. These rates change throughout the period that the market is open during the day.
There is also the width of the spread that should be taken into consideration. This amplitude is affected by how liquid some specific shares are, referring to the ease at which they are traded and the amounts that are exchanged. Organizations that are transferring large quantities of stock will have in place thousands of trades going through at any one time. Their spreads are, therefore, likely to be quite tight.

**Reading a Stocks Trading Table**

Stock trading tables are found in the pages of financial papers or publications. They usually have 12 columns and a varying number of rows. The stocks that are being traded are indicated in the rows. The columns can be understood as follows: -

a) Column 1 and 2 represent the annual (52 weeks) highs and lows of the stock being traded.
b) Column 3 is where you can identify the organization trading the stock as it will contain the organization name as well as the type of stock that is being traded.
c) Column 4 has a symbol known as the ticker symbol, which is a special alphabetical name that is used to identify the stock. Even when trading online, it is important to look for stock quotes from an organization that has a ticker symbol.
d) Column 5 will indicate the annual dividend payout for each share. When no value appears in this column, it simply means the organization has got to pay out dividends.
e) Column 6 states the percentage return or the dividend, which is the expected yield from the dividend.
f) Column 7 has information on the prices/earnings ratio, which evaluates the latest stock price and the earnings for each share over a period of your quarters.
g) Column 8 indicates the complete number of stocks that were traded on the day. It is important to add two zeros to the number in the column as it is listed in hundreds.
h) Column 9 and 10 show the price ranges that the stock traded in throughout the day, which is the minimum that was paid for the stock, as well as the maximum.
i) Column 11 shows the final trading price recorded for the day by the time the market was closing.
j) Column 12 looks at the net change which is any change in the dollar value of the stock price from the closing price of the previous day.
Chapter 3. Basics of Investing

There are a lot of options available to a person wanting to turn their money into more money, and which ones you choose will depend on a list of factors including the risk you’re willing to tolerate, the speed with which you want to accrue profit, and what other investments your portfolio already holds. The list of possible investments is enough to make your head spin, but it’s important to remember that these strategies are nothing more than tools. Think about it this way: a hammer is an excellent tool for driving a nail, but it’s hopelessly ineffective if you’re trying to scramble an egg. As you read this chapter, keep in mind your ultimate investing goals, and you’ll be able to choose the appropriate instrument to meet those goals.

Investment Options

Savings Accounts
This is a type of investment that you are no doubt familiar with but may not think of as an investment. The probable reason for that is that the rate of return is comparably low. While savings accounts provide quite a lot of security, given that they are protected up to $250,000 by the FDIC, the interest rate is low. Looking at some leading banks show returns well under 1% for their highest yielding savings accounts. The upside of this type of investment is that you can deposit or withdraw as you like, at whatever time suits you.
Certificates of Deposit
A Certificate of Deposit, or CD, is an agreement to leave a deposit in the bank for a specified period. In return for this guarantee, the bank agrees to pay an interest rate over the lifetime of the agreement. This is called the maturity of the CD. CDs offer two benefits: the certainty of a return due to interest and protection from inflation. During periods of high inflation, locking your money up in a CD ensures that you’ll get that amount out when it reaches maturity, whatever has gone on in the economy during that time. It also provides that you’ll get whatever return was guaranteed when it was issued. The downsides, though, are significant. If you need to cash a CD out before it matures, you’ll pay a hefty fee, often totaling the full amount of interest that has been spent on it at that point. Because of this, buying a CD limits your ability to capitalize on higher interest rates that may be offered down the road. If you buy a CD with a 3% interest rate and then see another one provided with a 5% return, you won’t be able to roll it into the more profitable rate without paying those fees.

Money Market Accounts
A Money Market Account (MMA) can be thought of like a blend of a traditional savings account and a CD. They usually require a minimum balance to be maintained, offer a higher interest rate than a savings account, and allow a limited number of transactions (usually six per year). Like savings accounts, they are insured by the FDIC, limiting the risk associated.
Be careful not to confuse bank MMAs with investment accounts of the same name. From an investment house, this refers to short-term investments in mutual funds which come with no guaranteed return and aren’t FDIC insured.

**Stocks**
As discussed above, shares are investments in equity. They are tied to the success of a particular company and can be thought of as part-ownerships. This type of investment does not come with the protection of federal insurance, so you’ll need to protect your money in other ways. Diversification comes into play here, which we’ll discuss later, but another important aspect of that protection is carefully examining prospective companies before investing.

**Mutual Funds**
A mutual fund is a group of investments managed by a professional money manager. Depending on which resource you’re looking at, you may find them made up of high-dividend stocks, blue-chip or so-called “bellwether” stocks, foreign stocks or a mix of those and others. Unlike individual stocks, mutual funds are valued and traded only once per day. Also; most resources require a fee to be paid to the company issuing and managing them. Conventional wisdom predicts that a more senior tax would correlate with a higher rate of return, but this does not bear out. Historically, mutual funds charging higher fees net lower returns for their investors, so make sure
to do your homework about the individual funds’ management and historical restoration.

**Exchange Traded Funds**

Many people don’t know the difference between an Exchange Traded Fund (ETF) and a mutual fund. While both are comprised of stocks chosen by a money manager, an ETF tends to focus in one area (agriculture, foreign markets, real estate, etc.) and many tie their composition to the overall layout of the S&P 500. Another critical difference is that ETFs can be traded at any point during the trading day, not just at the closing. While this offers an ability to pivot more quickly, there are usually fees associated with each trade, so only large transactions make sense here to minimize the ratio of the price to the business. Some ETFs even offer leverage, which is the ability to borrow money to purchase stock. This can naturally increase the ability to seize opportunities where a boom is expected, but it is a double-edged sword. If the expectations fail to materialize, that debt is a liability.

**Bonds**

This interest is called the “coupon rate.” The bond is issued with a set lifespan, at the end of which it reaches its “maturity date.” If a 30-year bond were purchased for $100 with a coupon rate of 5%, the purchaser would receive $5 each year for 30 years, then get their original $100 back.
The three types of bonds are:

Treasury Bonds—these is issued by the United States Treasury, and as you might expect, with the Federal Government behind them they carry minimal risk. Naturally, they also have very low-interest rates.

Corporate Bonds—these are bonds issued by companies and are as reliable as the company itself.

Municipal Bonds—municipal bonds are issued by the state, city, or other local governments. Depending on your residency, investing in these bonds may come with tax incentives. Be aware though that just because these are investments in parties, they are not always secure. Rules are vulnerable to instabilities that can overwhelm them, taking your venture down on the way.

Foreign Currency and Stocks

Trading in international stocks is one of the riskiest and exciting aspects of investing. Not only are you placing a wager on the company you’re investing in, but you're also betting that the exchange rate between your money and the currency you’re spending in will remain favorable. While this is an exciting and potentially highly lucrative area of funding, it is highly advisable that you attain a strong knowledge of funding strategies and global macroeconomics beforehand.
Real Estate

Real estate investment isn’t limited to buying homes or commercial buildings. There is real estate focused mutual funds, real estate investment trusts (which invest in rental properties), mortgage-backed securities and mortgage-backed obligations. When the real estate market is strong, these can be quite secure and profitable. As we saw though, after 2008, there’s no guarantee that it will remain strong and can become a liability in down markets.

Why Stocks?

Looking at the options above, it can seem confusing. In Chapter 4 we’ll go into various investment strategies that can help you choose, and in Chapter 9 we’ll talk about diversification which will influence the amount of stock you decide to put in your portfolio. In summary, though, the main reasons to select stocks are:

Pivoting and Flexibility
The stock market offers the ability to turn on a dime and make sure your money is doing the most it can at any given moment.

Immediate Return and Access
If you want to divest and immediately make your money liquid, the stock market offers a high ratio of ROI (return on investment) and quick access.
Differentiation Based on Input

In most types of investment, the decisions are made for you by people who may or may not have an expertise that you trust. When you buy your stocks, you bring to the transaction personal knowledge, beliefs, and motivations. Shares allow you to customize your portfolio to represent what you want your money to do for you and in the world.
Chapter 4: Stock Types and Class

Choosing stocks isn’t tricky, but it is complicated. What that means is that all of the steps are simple, but there are a lot of them. This chapter will give you that information. Since a good portfolio must be diverse, you can think of each type of stock as a different kind of building block. Which blocks you choose to include will depend on what shape you want the finished structure to take. In a future chapter we’ll talk about the different “shapes” a portfolio might have, and how to choose, but for now, we’ll focus on the “blocks.”

Besides type, there is another characteristic of stock called “class.” We’ll take a quick look at that, so you’re informed, but for most investors, it doesn’t come into play. In certain situations, though it will, and you’ll be advised enough to seek out quality information if you encounter those situations.

Types of Stocks

Common Stocks

Common stock is the type of stock we’ve been discussing so far. It’s an equity product, meaning it gives you ownership of the profits in an entity. Each share is equal to one voter’s stake in the election of the board, which you’ll remember makes the decisions for how the profit and dividends should be used. They are a high risk/high reward investment because there is no protection from the fluctuations of the market, but also there
is no intermediary between the stockholder and the share of the profits that they own. If the company goes under, the shareholder is the last to be paid, coming after debtors, bondholders and the owners of preferred stock. This last category brings us to our next one.

**Preferred Stocks**

An easy way to think of favorite stocks is as lying between debt and equity. Usually, a preferred stock will guarantee dividends to be paid each year indefinitely. Apparently, if a company has to liquidate, these profits will stop, but the preferred stockholder will be paid back the current price of the shares before a common stockholder. Additionally, selected stocks often do not come with a vote in the company decisions the way common stocks do. Because the dividends are fixed this type of stock is an excellent choice for corporate portfolios where they balance risk.

**Growth Stocks**

These are stocks whose historical record indicates that they are growing and will grow faster than the economy now and shortly. Apparently, this is subject to a lot of change and variation. What is a growth stock today could stagnate next week, depending on the health of the company and multiple other factors?
Blue Chip (or Bellwether) Stocks
Blue Chip stocks are the sure bets of the stock market. These are stocks that are usually old companies that have been performing steadily, paying off respectable dividends for years or even decades. Their risk profile is low to moderately low, and brokers tend to hold them long-term.

Income Stocks
The main point of differentiation between these and other stocks is some dividends that are paid out each quarter. This is where they get their name; 50-80% is typically sent to the stockholder regularly and that acts just like any other income. These shares are in companies that are older, mature, and moderately paced growers. The risk is low to reasonably low because they aren’t expected to rise drastically in share price. That might sound bad, but it isn’t the point of owning these stocks, the dividend is.

Value Stocks
A somewhat subjective term, a “value stock” is one that is considered underpriced about its potential. This potential is determined by looking at the company’s earnings and other measures that we’ll discuss when talking about how to choose a stock in a later chapter. Once you have those skills down, you’ll be proficient at finding stocks that are a good value for money.
Cyclical Stocks
When share prices historically track with the economy overall, we refer to them as “cyclical.” This means that when times are booming, these companies boom along with them, and when times are more terrible, their fortunes tend to fall as well. Companies in industries like airlines, automobiles, and construction tend to fall into this category. The critical thing to recognize about this type of stock is that in the short term, their risk level is relatively high, but because they almost always rebound, that risk is lowered significantly when held over an extended period.

Defensive Stocks
Companies that fall in this category can be thought of as the opposite of Cyclical Stocks. They are less vulnerable to economic shake-ups because they’re in industries that people buy from in any economic climate. Things like utilities, food, and drug companies are in this category. They are on the lower end of the risk spectrum, and usually modest but steady earners. This can change though depending on new products and other factors, so don’t discount them in a risk-tolerant portfolio.

Speculative Stocks
These are stocks that do not have a high recent earnings history but for other reasons show promise. Some dot-com startups fall into this category as do established companies that have taken a
downturn but are under new and exciting management or introducing a promising product. These are very high-risk investments, but the reward can be enormous.

**Share Class**

Typically, each share comes with a percentage of ownership in the company and one vote in the control of the company (usually for the board of directors who make decisions about the way stock is used.) In some cases, a group will split the stock into two classes, and one will carry more voting weight. This allows the company to ensure that a small number of people make the decisions. It also prevents an outside investor from being able to buy up enough stock to affect a hostile takeover. In a company like this, the shares would be labeled Class A and Class B and displayed with their company name on the ticker with a lowercase letter that signifies this. For example, if the company’s abbreviation were ABC the ticker would read ABC and ABC.

Class B stocks are usually the common stock of the company, with each share entitling the owner to one vote. Class A stocks still represent the same percentage of the firmregarding ownership but would confer say, ten votes per share. The final fundamental difference is that if the company goes bankrupt and its assets must be liquidated, Class A shareholders will be paid before Class B shareholders. Note: all
debts must first be repaid before any of the shareholders are paid.
Chapter 5: Stock Brokerage Services

Having the money to invest in the stock market is not enough; you need someone to take you through the investment and to advise you where necessary so that you will make the right investment in the end. This is the point where you need the services of a stockbroker.

Stock brokers have regulated professionals associated with either a brokerage firm or a broker-dealer. Their responsibility is to buy and sell stocks and other securities for retail as well as institutional clients. They do this through the stock exchange or over the counter for a fee or commission. Stockbrokers hold a license, and they deal with particular types of securities and other services. You will, therefore, hire a stockbroker depending on the kinds of services you are looking for as well as the types of stocks that you want to invest in.

Importance of a Stockbroker

You need guidance in the stock market to understand what goes on and to make the right choices of stocks to invest in. The right person to give you this kind of guidance is a stockbroker. Even if you do your research, you still need practical aid in stock investing, and a stockbroker can be of great help with this. You could opt for an individual or an organization of professional stock brokers.
A professional stock broker is well trained and experienced in the stock market and stock investment. Investing in stocks is a huge risk to take, but with the right information, you can quickly make the right choice of shares to spend in, which is why you need the help of a professional. Stockbrokers have been in the market for an extended period, and so they can tell the trends in the stock market.

Buying and selling of stocks cannot be done entirely by you; you will always need a representative to carry out the sale and purchase with your best interest at heart. It is much easier for a licensed professional stock broker to complete the transactions for you. Alone, you may not accomplish anything – you could even make a loss. Therefore, a stockbroker is a critical person in these kinds of investments.

What stock brokers do is to open an account in their company or firm in your name, and then manage it for you. The statement is the same as the one you begin with a bank, but the difference is that it will not have financial information, but information about the stocks that you have invested in.

**Finding the right stock broker**

Finding the right stock broker is the best financial decision that you will ever make. A lot of people who succeed in the stock market have the best stock brokers working for them. This is
the bit you need to take very seriously in order not to waste your money in the investment.

**Determine the objectives of your investment**

If you are investing a large sum of your money in stocks, what you need is a stockbroker that has the best capabilities in going for shares with the best returns in the market. The kind of a stockbroker, you will go for will be mainly determined by what you want to get out of the stock market. Note that those stockbrokers who charge so much money as a commission are not always the best at what they do; some affordable stockbrokers deliver excellent results all the time.

**Choose whether to trade or to invest**

You have two options in the stock market, either to purchase or to invest for the future returns. Trading involves buying stocks and selling them as soon as there is an excellent chance to do so; that is after an increase in the price of the commodities. Traders aim to get small and recurrent profits, and they buy shares several times and sell them the same way. Investing, on the other hand, involves lending out your money to an individual company or companies for a suitable period and then getting right returns out of it.

If you are investing, you need a full-service stockbroker. He will be analyzing the stock markets for you and advising you on the right company to invest in.
Find out just how much help you will need from a stockbroker

The kinds of services you need from a stockbroker will be extensively determined by the type of stockbroker you will be going for. If for instance, you are new to stock investing, you need advice, guidance and you have so much to learn from a stockbroker, so a full-service stockbroker will be the right one to hire.

Determine the kinds of stocks you want to invest your money in

Different stock brokers deal with different types of shares. Therefore, you will hire a stockbroker depending on the types of shares you want to buy. Some brokers only deal with mainstream companies, and so you will need another stockbroker if you decide to invest in low market capitalization companies. You can go to a stockbroker that deals with all kinds of stocks if you are unsure of the types of shares that you want to go for in the beginning. Better still, make up your mind about the types of shares you will invest in first, and then hire the best stockbroker to take you through the investment.

Make sure that you are dealing with an insured and licensed stock broker

Fake stock brokers will disappear with your money, which is why a license is essential when you are hiring a stockbroker.
Ensure that the stockbroker is registered with Securities Investor Protection Corporation as well so that you will not lose any money to any risk. You have to ensure that your account is insured at all times to minimize the chances of losing all your investments. This is, in fact, the first thing you have to be sure about before you can start talking to a stockbroker.

**Factors to consider when hiring a stockbroker**

With the above considerations, you will end up with more than one stockbroker that you have to compare. At the end of your comparison, you should hire just one, who will provide all the services and help that you will need as you get started in stock trading. Below are some factors that will make choosing the right one easy:

i) **The cost**

Stockbrokers differ in the way that they charge for their services. If he is offering the kinds of services that you are looking for, and he is a well-reputable broker, you will go to the one that charges the least amount of money to maximize the returns that you get out of your investment. Some stockbrokers charge commissions plus other charges, so you have to consider all these costs before settling to one stockbroker.
Ii) Stockbroker capabilities
Expert stock brokers can advise you on the right kinds of investments to go for to ensure that you are not losing any money in the end. If you want a stock broker that will be responsible for buying and selling your stocks, it is best to go for the most capable because he will always make the right decisions for your gain. Check out the record of the stockbroker, and you will be able to choose the best one to deal with.

Iii) Trust
This is very important since the stockbroker will be managing your account and all the money that your stocks will be generating. Licensed stockbrokers can be trusted. You can also get a referral from someone that is currently using a trustworthy stockbroker to be at ease even as you believe him with your investments. It is always good to conduct a background check on the stockbroker you are interested in so that you will be sure that he is trustworthy and quite reputable.

Iv) The company or firm he represents
Many stock brokers work for a particular brokerage company, and so, you have to check out more about this group before you can hire their services. Ensure that the company is reputable, with a good track record of performance and very capable of managing your investments. So many people are investing in
stocks these days so it will be so easy to get the information you need about a specific brokerage company or firm.

V) The kinds of services they offer
When hiring any types of services, it is always good to determine how the service provider serves his clients. Choose a stock broker that will give you quality support services every time that you need them. Some stockbrokers are known to treat their clients unprofessionally or to be unavailable at odd hours, which is not something you would go for. Ensure that they have the best customer support services so that you will always be treated as a valuable customer.

Types of stockbroker fees
Both the full-service and discount stockbrokers charge a specific pay for their services to their clients as discussed here:

a) Commissions: this is the fee charged by the stockbroker who executes your buying and selling of stocks. This fee is charged per transaction that the stockbroker executes. Discount stockbrokers charge a relatively lower commission when compared to a full-service stockbroker. Always compare the commissions charged by different stock brokers before you can proceed to work with them to be sure that you are not paying more money than you should.
B) Asset-based management fees: stockbrokers will charge you a certain percentage of your total assets that are under their management instead of charging commissions of the same. Their annual costs do not usually go beyond 2%, so it is often not a tremendous amount of money although this depends on the stockbroker you are dealing with.

C) Premier account: premier accounts are offered by stockbrokers to the investors that want to enjoy more services from their stock investment accounts. If you upgrade to this kind of statement, you will be charged an amount of money, but you will be able to enjoy credit cards, checking accounts and other excellent services depending on the stockbroker that you are dealing with.

d) IRA custodial fees: you will be charged for any IRA related paperwork that your stockbroker will do for you. Even though some stockbroker’s waiver such taxes, they end up costing their clients on a yearly basis.

E) Inactivity fees: this is the fees charged for those investors that have been unable to generate a certain amount of taxes or commissions as per their agreement with the stockbroker. This means that you have to be active throughout to avoid paying this price.
Trading in Stocks without the Help of Stock Brokers

As discussed in this chapter, the role of a stock broker is very paramount when it comes to stock investing. If for instance, you are the kind of investor that does not trade frequently, you may want to save some money and decide to sell your stocks directly without the help of a stockbroker.

Selling your stocks directly will involve a much longer process, and this means that it will take more time than if a stockbroker was helping you with the sale. Another thing to note is that you will not have control over the stock price. This means that you could sell your stocks at a much lower price that you could have anticipated.

These days, investment firms allow investors to trade in their stocks directly without necessarily involving a stockbroker. The role of a stockbroker in the modern-day stock market is slowly diminishing as many people look for ways to minimize the expenses and maximize the returns.

**Different ways to do this are:**

- Contact the transfer agent of the company whose shares you want to sell and see if he can be of help to you. If he agrees, you will send your shares directly to him. In this case, you will be required to sign the stock certificates and hand them over to him, and then you will agree on the cost of the stocks, and the deal will be sealed. Some transfer agents will charge a small
fee for this but most of them offer such services for free, so if you are lucky, you will not be charged a dime. The recent average share price will be used to determine the cost of the stocks that you are selling.

Direct purchase plans will not require you to have a stockbroker as well. Many corporations usually buy and sell their shares through immediate purchase plans or dividend reinvestment, and this is a sure way to trade in stocks on your own. If you want to sell your shares, you can contact the plan administrator for a more comfortable trading. The cost of stocks, in this case, will be determined by the recent average share price.

You are allowed to sell your shares directly to your friends or relatives without necessarily involving a stockbroker. What you need for this transaction are your stock certificates. The buyer will only need to have the money or a certified check. Just endorse the shares to the buyer and sign on them. You may want to check out other requirements that the company’s transfer agent will need so that you will seal the deal without wasting so much time on it.

Set up an online brokerage account and take full control of your buying and selling of stocks. The internet has brought so many changes in the stock market, and this is just one of them. What you need to find on the web is an online trading
company. These days, there are so many online trading companies that will allow you to set up an account and start trading in stocks.
Chapter 6: Stock Trading Strategies

Now that you have understood the trading basics, you can begin to come up with a strategy to trade your stock. There is a two-pronged approach to stock trading strategies, and those are looking at short-term movement where it is possible to earn a profit on the price changes from stock, or long-term plan, which entails buying the stock and then holding on to it for an extended period.

Short-term movements occur in a strategy known as active trading. Inactive trading, the investors are under the impression that they can make significant profits by monitoring the short changes and taking steps to capture the market trend. The long-term strategy is also referred to as a buy and hold approach, and the reasoning behind it is that the price movements that occur over an extended period will be more profitable than the price movement that occurs over a short time.

Investors who are interested in making money quickly through stock trading will go for the active strategies when trading stocks. There are various types of active trading and buy and hold plans. These techniques are explained in this chapter.
Day Trading
This is the most common method of trading used by investors practicing active trading. It is the way in which stocks are traded during the day. In this type of trading, at the end of each day, the positions are closed out. No placeis held open overnight. Whereas in the past, only specialist brokers used this method of trading, today more upcoming investors can use this technique thanks to being able to trade online.

Swing trading
This is the type of trading that occurs when there is some price volatility. It happens when a trend breaks, which is usually at the end of a pattern, right before a new designcan establish itself. The swing trade is held for a shorter time than the trend trade, although they often help for more than a day.

Scalping
Scalpers try to make profits on the stock market by creating a large number of small moves in a short amount of time. It is a quick strategy for getting a return. It works by taking advantage of the different price gaps that occur as a result of bid/ask spreads and order flows. This is a low-risk strategy because scalpers try to hold their position for insufficient periods of time.

In addition to these strategies, there are specific techniques that you need to understand and possibly master.
Breakouts
This is a standard technique used when trading. It requires identifying an excellent price level and then purchasing while the price breaks an earlier determined level. The logic behind this method is that if the price can get enough force to move beyond the previous specified level, it will continue to do so. Breakout trading helps an investor take advantage of upward trends in the market. It also centers on the concept of support and resistance.

What all investors hope for during the breakout period is that the prices of the stock will continue to increase until they surpass their all-time high. To make the most of a breakout, a broker can place a limit order which will allow a trade to occur automatically once the price moves to above an expected high or below low.

To avoid experiencing losses, breakouts should not be done during a period where the market is not trending. The reason is that false trades may occur which could result in losses. Losses arise because of an injury of momentum in the market.

Momentum Trading
This is a technique that is used when an investor or broker is working with the force and continuation of correct entries of stocks. The broker expects the price of the stock to move towards the direction of a particular trend, rather than waiting
there to be a break out at one specific place. This type of trading works for a person who is good at planning because it requires an analysis of the indicators that affect stock prices, which include moving averages or oscillators. If the stock being traded appears to be able to benefit from a long-term strategy, then momentum trading can quickly come into play.

**Retracements**

This technique requires some skill on the part of the trader. The trader needs to be able to identify precisely which direction a price should move in and maintain confidence that the price will continue to move in that direction. The reasoning behind this drinking is that following each move in a particular direction, the price is likely to move in reverse direction temporarily as the traders capitalize and take their profits. In this period, the amateur investors will try to trade in the other direction. These moves are known as retracement or pullbacks. The same concept of support and resistance is used with retracements just as it is with breakouts. This type of trading is only carried out when the stock market has been affected by economic events or news that shocks the market. It is deemed to be ineffective if one is looking to make a proper and sizeable return.
Position Trading

This is a technique that is used for traders who are aiming for long-term trading. It uses information from all the other strategies and methods to come up with a trend for the current condition in the market. Then a trade takes place. This business is not completed immediately; it may take from several days to several weeks to be finalized. This is because it depends on the trend.

What happens with trend traders is that they try to benefit as much as possible from trends that are moving up or down in the market. Trend traders will ensure they get into the direction once it has had the opportunity to establish itself. Once the path begins to break, the traders will immediately exit their position. The primary purpose of traders in position trading is to make sure that they are in the market when the prices start to make a move. The type of asset one should be taken into consideration when attempting position trading. This is because the trader needs to have confidence that they can hold their positions for as long as the trend lasts for them. This will entail them being able to discern and take advantage of other people’s emotions when they are liquidating their positions and making a profit in the wake of a short-term trend, over their long-term trend.
Chapter 7: Stock Trading Tips

As you become more stable and confident in your stock trading, you can take advantage of a few tips to keep you making a profit and the right moves. Here are some tips which will help you remain profitable.

**Tip 1 – Purchase and hold stocks instead of rushing into trading**

In the past, the costs of dealing were quite high as brokers charged high commissions to finalize a trade. Today, boards are distinctly low which may mean that it makes more sense to trade more and more frequently. This would be a wrong assumption. Even though commission costs are lower, there is a range of other expenses that have come into play. There include markups, which are placed by brokers, as well as higher taxes being imposed on short-term trades.

When trading in the short term, active trading, more attention should be given to the price fluctuations of the stocks. An investor who is unable to pay close, continuous care to the stock market may find that they miss out on profitable scenarios, and then they could lose a significant amount of money.
Tip 2 – Diversify your Portfolio
The different industries in the market could be affected by a myriad of factors. Should one sector see, the significant upheaval of any nature, investors in that industry could lose out big time? That is why it is crucial to hold stocks from a range of different industries. This will allow you always to have something to fall back on in case of an issue with the economy and one industry.

Tip 3 – Carefully select your trading style
This advice applies to investors or traders who opt to trade online because usually, they do so without the added support of a broker. You should be able to determine the pros and cons of your trading strategy, and whether you are interested in something short term or long term. The decision of how you would like to go about trading should be made before you actively start to trade.

Tip 4 – Start off with a low-risk method
There is nothing as disheartening as losing a significant amount of money on the stock market. If you are just starting out, a considerable loss could even mark the end of your stock trading days. Therefore, as you begin, give yourself some time to learn how to trade by selecting low-risk stocks. Also, take some time to learn about risks management so that you can market online successfully.
Tip 5 – Selling is just as important as buying
There is an emphasis that is placed on buying stocks, especially in choosing the right stock for a sound investment. However, selling of shares is equally as important as buying stock. Do not neglect to sell your stock and allow yourself to lose out on stock gains. Your shares will only give you a profit once they are converted into cash, and not by resting in your portfolio. This requires you to plan and set the criteria that you will refer to determine when the right time to sell your stocks is.

Tip 6 – Avoid chasing ‘hot tips.’
This is undoubtedly a term that you have heard before about stocks. A hot tip usually indicates a share that is giving high returns at the moment or apparently attracting a large number of investors because of a short-term recovery that is highly likely. Even though everyone may be rushing towards this investment, it is essential for you to do some research, and apparently, understand their reasons for doing so. You may as well be gambling if you make an investment decision based on a little bit of information that often cases, cannot be verified.

Tip 7 – Have a long-term perspective
Trading in stocks should not be your get rich quick strategy. Therefore, avoid being tempted by the promise of short-term profits once you begin trading. The investors who get the best returns are those that are in it for the long haul. Therefore, you
should be patient once you start selling and take your time so that you can make a more significant return.

Another reason that a long-term perspective is preferable likes in the amount of time that people have to invest in trading. For someone looking to try active selling, they must make sure that they have the time, education, finances and most importantly, the drive to make sure that they are successful.

**Tip 8 – Sell your losing stocks**

The stock market is not stagnant, and it can move up or down without any warning. An investor interested in making a profit is highly likely to sell their stocks when their prices are higher. However, what often happens with declining share is that the investor will hand on to it in the hope that there will be some rebound in the market, and the stock will then appreciate in value.

Rather than keep the stock until it sinks to the point of being worthless, declining shares should be sold so that at least some return is gained.

**Tip 9 – The afternoon is the best time to trade**

The afternoon is, therefore, the best time for you to purchase. This is because across the country, any vital information that could affect trading has already been discussed. Even though it may seem like a good idea to make a trade at the beginning of the day, you should take some time to evaluate the pattern that
the stock market is taking through the course of the day. In this way, you can tap into a profit or avoid losses.

**Tip 10 - A new investor should always be ready to take some small losses.**

Stock market investments pose a significant risk if you are not careful, and so you should always be prepared for the worst. Though this may seem cynical, it only means that you can genuinely celebrate when you get a good return. This is the only way you can invest with minimal or no stress. This is also the same reason why you should start investing small and not place all your money in one investment. Experts always advise investors to risk an amount of money that they are willing to lose.

**Tip 11 – Do not be discouraged**

Persistence is required when you are learning to invest in the stock market. Some traders lose hope along the way, and they do not get to enjoy returns from their investments. If you want to succeed in stock trading, you have to be patient and learn bit by bit. Remember that most rich people across the world have earned their wealth this way, so you should learn patience to enjoy great rewards in the future. Take your stock trading moment by moment, and then day by day.
Tip 12 – Concentrate on a few, high-quality stocks
In as much as it is necessary to spread the risk by investing your money in more than one company, it is good to note that the quality of stocks matters in stock investing. Some stocks are well known to be of excellent condition, and these can guarantee good returns in the future. These are the ones you should be investing in. Financial advisors could be of great help in choosing the right stocks to spend in. Your stock broker can also help you want high-quality stocks to spend in. Do not spend in just any capital.

Look at a company’s earnings, the earnings growth, profit margins, sales, return on equity and so many other things to determine the quality of that company’s stocks. This will help you make the right choice of a group to invest in.

Tip 13 – Choose your sector wisely
The best areas to invest in are for instance entertainment and leisure, computers, software, communications technology, drugs and medical industries and specialty retail. These are the leading sectors you should be eyeing if you want to start stock trading. They have high sales and earnings, and their stocks are always trending.

Tip 14 – Do not expect to buy low and sell high
High expectations during stock trading may discourage you if things do not go your way. The last thing you need at this time
is pressure to sell high, as not all stocks follow this pattern. These days, investors are encouraged to buy high and sell even higher. Stocks that are doing well in the stock exchange market will not come cheaply to you; you have to pay more to gain even more. New investors should therefore not be made to believe that they can sell high if they buy low. This is a more natural way to get you to buy stocks that will not give you the expected returns.

**Tip 15 – History always repeats itself in the stock market**
If the shares at one time did very well in the stock market, there is a probability that they will do the same shortly and this marks a good investment option. If on the other hand, a particular stock you are interested in has a history of failing investors, do not be duped to investing in it.
Chapter 8: Why you should not trade stocks

The Cost of Stock Trading

Day trading can be relatively expensive if you use the wrong strategies when starting out. The right setup can bring the cost of selling down, especially initial costs. Getting the proper equipment is always going to save you some expenses from the onset of your endeavor.

Using the standard free market data may seem like a good idea, but keep in mind that this information provided open tends to be delayed, and this will not benefit you in any way if you are a day trader. The fact that this data can be delayed by up to 60 minutes means that for a day trader it is incredibly unreliable, as even a 5-minute delay can spell disaster for your stock value if it crashes.

This chapter seeks to outline the different strategies that can be used to bring down the costs of day trading by suggesting different cost-effective methods that can be used anywhere at any time. These methods have proven to be both profitable and productive and have helped day traders in the past realize their full potential.

Equipment

Now that you have decided to go into day trading the first and most important piece of equipment you are going to need a
computer and a powerful one. Day trading involves making trades rapidly, and this cannot be done on an effectively slow system.

Market makers right now are using computers that have at least four processing cores (like the Intel Core i5 or Core i7) with at least 8 GB RAM. These machines are top of the range and may seem a bit extravagant but as you will soon find out with day trading speed is everything.

They also come with large storage capacities, usually around 500 GB and above. This is needed because the software that you will use and the data that needs to be processed will take up a lot of space in the long term. If you get confused about what kind of machine would be best for you, a good starting point would be to go to an electronics shop that sells a range of different computers and ask for one that is suitable for gaming. It is recommended that a backup of your system be stored on an entirely different machine, preferably a laptop. This is because when it comes to computers, just like your trading, anything can happen. Should any glitches or crashes occur, you want to be able to switch seamlessly to another device to continue trading or at least have your broker’s app on your phone to allow you to stay up to date on the market. Another advantage of having your backup on a laptop is so that if you are traveling anywhere, you can stay in touch with the markets.
via your computer, as most phone apps will not allow you to have as much control as a full program will.

An array of monitors is also recommended. Two screens are good enough, and four is even better, but the best results have come from systems with six to eight monitors. These give you the ability to see all the information clearly and make quicker, better-informed decisions on the stocks you are trading. The computer and monitor array may seem expensive at the top of the range setups costing about US$ 3,000 and the cheaper options costing US$ 1,700, but for serious day traders, these things are vital as the speed of your transactions is intricately related to the speed of your machine.

The software will also play a significant role, as every severe trader, these days uses software to buy and sell securities. When choosing what software to use, it is always important to make sure that the software you are using is widely used, well-known, and relevant when it comes to whatever asset class you are interested in trading in. The software should also have the following components:

- Level II – This is a list of all the buyers and sellers on the market
- Time And Sales Data – This is a time-stamped record of all transactions carried out
- Real Time Streaming Of Quotes And Charts: A live feed of all market data
A Portfolio Tracker: This will help keep track of your stocks. The software can be costly, with some programs being sold at upwards of US$ 5,000. Others charge you per trade or transaction that you carry out. It is essential to carry out your in-depth research to help you choose the right program to fit your needs.

A high-speed internet connection is also necessary and goes without saying. The most common relationship is the Cable Modem Internet Connection through the ideal service to get for trading would be the Fiber Optic Internet Service. Cable internet will supply you with internet speeds of up to 100 Mbps, which is more than fast enough to do essential trading online, but fiber optic internet can provide you with rates that are ten times as fast. For traders like scalpers who need to have low latency internet, fiber optics is the way to go.

**Brokerage and Commission**

Brokerage is an essential factor when it comes to day traders as different types of brokers have different ways of doing things and separate commission charges. For instance, market maker brokers though still faster than the traditional brokerage firms are slow to execute trades. For a day trader, the quicker the transaction can happen and the lower the commission, the better. Market makers can be reluctant, especially if they feel more inclined to trade against the order flow for whatever reason. They also charge relatively
high commissions for their services bringing down whatever profits you had envisioned making.

On the other hand, discount traders do not share this problem as they charge slight commissions to their clients. The best option for a day trader when it comes to the brokerage is the direct-access brokers who allow you to trade directly with the ECNs. The result of this is instantaneous feedback from the ECNs and transaction spends that can be measured in fractions of a second. Direct-access brokers are especially useful to scalpers who rely on speed to make the most of their investments.

The average commission rates are about US$ 5 per transaction though on the upper end of the scale commissions of US$ 10 are not uncommon. Unlike retail traders though, direct-access traders charge less commission per unit volume sold. So for instance, if the committee on a transaction was US$ 5 for the round trip, a direct-access broker may cost as little as US$ 0.01 per share traded (if more than a stipulated number of shares is bought)

**Stock Trading Mistakes**

Whenever you are starting any venture, you are likely to lose something or make some mistakes before you get a proper grasp of what you are doing. This is especially true for day trading though with day trading the risks are higher. Here, the
risks have to do with money, and this in itself is a challenge. This is because a day trader needs to be quick-witted as well as skillful, to be able to purchase stocks and sell them within the same day, and hope that by doing so it is possible to make a profit from the minutest fluctuations in the prices of the stock over 12 hours.

Years ago, day trading was impossible for the average investor, as the tools that were needed were not available to them. These devices included real-time stock results, access to instant traders and the means for analysis. High-speed internet and Dutch courage have changed this scenario for many who are now willing to try their hand at day trading. Some things need to be avoided though, even for the most strong-hearted new trader.

In day trading, making mistakes should be avoided as much as possible because even the slightest mistake can have a massive impact on total income. To avoid errors, you need to be aware of the mistakes that you could inadvertently make. That is what will be addressed in this section.

**Starting Big**

As a new day trader, it is likely that you are bubbling with enthusiasm as you look forward to starting your trades. You have read up on all the theory, including the trips and tricks and believe that you are ready for the game. If you have
managed a sizeable capital portfolio from an investment, you may be keen to start big, make big profits and please your client.

Even with all the general preparation possible, as a new trader, you need to learn and observe the practical aspects of day trading. With experience, you can take calculated risks. For this reason, new day traders are advised to start small rather than starting big. This is because when you are likely to make the most significant mistakes in your trading career as you start out. If you have invested in something which has lost you a considerable amount of money for the client, then you will likely affect your career for the considerable future. You need to start trading with capital that is minimal so that you can assess your success. After a while, and with your wits intact, you should be able to see favorable trading with more than three contracts.

**Learn the Basics**

Day trading is not something that you can merely teach yourself and then start excelling at. You need to get some hands-on advice from people who are seasoned day traders. To do this, you should find an experienced trader and spend some time observing them, asking questions and listening to advice. Learn how to play the game of trading, so that you can build up the confidence to give it a good go yourself. Realize that this will require patience on your part so that it can be gotten right.
With proper determination, you will find that your efforts are enough to lead to significant profits.

**Planning To Fail**

Trading is about making a profit, and not about experiencing feelings of exhilaration by taking chances with money. In light of the outcome that is expected, it is essential that all traders have a plan of action.

A plan is particularly important because of the speed and emotion that affects day trading. Day trading is likely to be backed into corners where they need to make instant decisions, or during a volatile day of trading, they could get caught up in the events of the day and make decisions that will negatively affect their bottom line. Have a plan in place, especially when it is in writing, is an essential step to controlling day trading.

A day trader, who has taken the time to create a plan which is detailed, will understand what his overall goal will be and will mold behavior and actions to meet that goal. Within the idea, there should be information on what shall be traded and the markets that the trades will take place in. There will also be details on the methods that will be used for entry and exit into the markets. This will help the day trader avoid buying into a security which would not usually have been considered.

An excellent plan will also have a risk assessment section, with details on the proper reactions to a host of scenarios. This could include how to react adequately to an excellent day of trading,
or how to deal with consistent disappointments. Either way, it is supposed to ensure that the trader remains on track regarding what is required.

**Missing Discipline**

The best managers, especially those who work in high-risk professions will often create a contingency plan, in case their original plan does not pan out. This means that they are ready for the unexpected.

In day trading, this type of planning is also necessary, mainly because, this activity is highly emotional. Having discipline could be the difference between profit and loss. An aspect of discipline includes stop-loss orders. These orders are triggered based on certain conditions within the day trading market. They help investors to save money, mainly if the trade is taking place automatically. It is imperative that all traders have a plan that will help them to manage their risks, as well as their possibilities for success or failure.

**Manage your Expectations**

Day trading is not a get rich quick scheme. Neither is it a magic wand that will help relieve all of your problems. It is challenging, and there is the constant pressure that you could lose it all.
Rather than expecting to rake in dollars, plan to put in a significant amount of work into perfect the method in which you trade. The reason for this is that success in trading requires a considerable amount of planning, together with hard work. This planning requires an adequate input of time. Ideally, the time should be well spent observing leaders in the industry to discern their techniques.

**Being Time Bad**
Day trading is already chaotic because of the speed with which transactions are done. However, no time is as busy and chaotic as the first and last 20 minutes of each day. This is because it is the period where investors are the most anxious, looking to make the fastest moves before everyone else appears, or at the end of the day.

As a new trader, this is an excellent example of volatility in the market. It would serve you better to wait, rather than join the hubbub simply. This way, you prevent yourself from making any detrimental mistakes, and you keep away from the competition from institutional traders.

**Keeping Too Busy**
Being busy is essential, and many people want to be observed as being working, as this is a way that they can validate the amount of work that they have had to do. In trading, being too
busy is not useful for a trader, it indicates that it is possible to let things slip through their fingers.

A new trader may attempt to manage at least ten trades in a day. The assumption is by trading more; you can make more. This may not be the case. Some professional traders insist on trading just two traders through the day. They may complete the trades early in the day, but then they can spend the rest of the day following up. By having fewer day trades to monitor, it becomes easier to see when there is a change in the market. The problem with this is that it may set you back and turn your profitability on its head. This is because you will be stretching your attention. Instead, try increasing the amount that you are trading on your two commodities or for your two investors.

**Watch out for Losing Streaks**

There is nothing that can be as disheartening as repeatedly losing when you are day trading. If you are not careful, it may reach the point where you end up being clinically depressed, especially if you are always losing more progressively. Over time, you will pass the phase of losing streaks, and the moments that you were demoralized will be distant memories.

**Thinking Anyone Can Do It**

Should you ever be in a car accident, and were in need of life-saving surgery, would you allow a teenager in high school to operate on you? Your answer is most likely “Absolutely Not!!”
So when you are looking for a day trader, you need to make sure on certain things, one of which is that the person is qualified when it comes to day trading. They need to have some training as well as possible certification. If you have decided to go into day trading without any help, then you also need to ensure that you are capable of making informed decisions. Make sure that you have mastered all the technical properties possible and that you have watched an expert practically as well. Remember that you cannot rush the process. It is entirely possible that this could take several months.

**Keep an Eye on your Risk Capital**

There is every possibility that when you are trading your capital, that you will lose everything. This means that you need to be able to distinguish between your standard capital and your trading capital. Your usual wealth includes the money that you need for your day to day living so that you can pay bills to have food to eat, pay your rent or mortgage and have something decent stashed away for your retirement. Your trading capital is money that you are willing to risk. This is money that should be solely dedicated to day trading, and nothing else. That way, if you lose it all, your life will not start to fall apart all around you. It is also noteworthy that a day trader is required to keep a certain amount in their account as equity, and the minimum must be maintained if there is to be any day trading taking place.
Messing up your Margin

Your capital as a day trader is likely to fluctuate up and down throughout the day. Sometimes it is on the lower side, and you need an extra boost. So you choose to borrow from a broker so that you can purchase securities. This is meant to be a facility that gives day traders some wiggle room if it is used correctly. However, some people have used this support in the wrong way or have abused it. This could occur when one borrows much more than they can pay back, and the result is an empty trading account and the mounting of debt. As far as possible, day traders should trade within their means.

Ignoring Important Resources

Perhaps the most critical asset that you can get that will lead you to success when day trading online is an excellent high-speed internet connection. Next, is an investment in state of the art software that is specialized and fully loaded with a range of analysis tools. Then you should make sure that your trading wallet is well stocked, as you need a significant amount of capital to get you started. As part of your resources, you should have direct access to an expert in the field so that you can get advice when you need it, and also get input on your equipment and its specifications. Finally, hire yourself a coach. This will be a significant investment, allowing you to learn what is necessary to master day trading for the long haul.
**Forgetting About Mental Health**

Having the right state of mind could be the difference between winning and losing. To come out on top as a winner, one who is competent and can trade on instinct, you need to learn how you can manage your emotions. So you cannot allow the high thinking and mental energy that goes into day trading bring you down and drain your energy. You have to be ready for action, always willing to make a move now. This is like having a jerk reflex. With this as a trick up your sleeve, you will be able to gain competence and win consistently. It will build up your intuition so that you always aim for and attain trading success. The more that you trade, the better you will become. You need to give yourself the gift of concentration when you being trading. This is so that you can create sweet trading music in your mind. Getting into the zone is something that the most successful traders can. It is the trance of trading, and it leads to success.

**Restrictions on your stock Trading Account**

Several restrictions are placed on day trading accounts that every beginner should be aware of. Some of these limitations also have a few regulations ties into them. The most common are stated and explained in this section.

**Requirements on the Margin**

The margin account is meant to help tide a trader over during a period of difficulty. If you use a margin account, you could be
considered as a pattern day trader. This would be the case if within your margin account over a period of days, you have purchased a security. This is about a rolling five-day period. The consequence of being designated as a pattern day trader is that you need to maintain $25000 of equity within the margin account then, and this is a minimum value. Failure to comply with this will mean that you are not able to do any day trading whatsoever. This is a significant limitation for the day trader that is just starting out. The best thing that a day trader can do to avoid this restriction is to trade within their means and prevent margin accounts.

It may be difficult to do this, especially keeping in mind the advantages of a margin account. What draws in many traders to this option is that a trader can leverage an excess of four times of their equity.

**Settlements**

The speed with which day trading occurs has a significant effect on the way that stocks are settled. Day traders have a three-day period in which they are supposed to end an official stock transaction following the day the trade was agreed upon. This means that the process of buying and selling will continue to take place, even when the day trader has not been had the chance to clear up and old debts.
However, before a day trader can purchase stock, and then need to have a sufficient amount of money to cover the cost. Some day traders have tried to buy and sell on the same day so that even if they do not have the funds necessary, the profit that they make can cover up the cost. This should not be done. In the worst case scenario, the trader should lean into a margin account.

**Stock Trading- Some Information You Should Know**

Have you ever considered stock trading? Did you start to look into it and stop? Did the idea of stock trading seem confusing or complicated? If you answered yes, here is some information that might help you out.

If you are looking into stock trading, you have made plans to invest your money. Not just to spend but to expect a return. That is the purpose of funding. Stock trading involves investing in shares, pieces of companies. Therefore having an effective strategy that works for you essential.

There are numerous stock trading strategies out there. How do you decide which stock trading strategy is right for you? Knowing the difference between stock trading strategies is the first step. So what is the difference, primarily the difference is time.
What does this mean? It means that your stock trading strategy is based on the type of trading you wish to become invested in. Bear in mind, every stock trading strategy comes with its own set of advantages and risks', knowing these is vital to determining the stock trading you want to do. Let's take a look at some of the stock traders out there and what kind of stock trading they do.

The first type of stock trading we are going to look at is day trading. Disadvantage- to make this form of stock trading profitable, you have to be willing to not only invest your money but also invest considerable time. Another downside is stock trading several times a day, could cause an increase in some fees you accrue through stock trading.

Swing traders are the next type we are looking at. These types of traders, stock trade every few days or once a week, every few weeks. The advantage is that this kind of stock trading has few fees and there are advantages to be had when gauging the price of stock. This stock trading strategies disadvantages increased risk.

Finally, we have come to our third type of stock trading strategy, long-term. This is similar to swing trading only the amount of time lengthens. Advantages of this form of stock trading are primarily increased profit. Sounds good right, keep in mind, more significant benefit means higher risk.
Our fourth stock trading strategy is buying it, keeping it. You can earn a good profit with little to no effort. For this type of stock trading, it's necessary to have a good command of economic trends. You will have to predict the patterns to make sure the stock you buy today to keep, isn't a wasted investment.

**Disadvantages of stock trading**

Organizations all through the world issue new stock offer each day. They do as such to bring capital up keeping in mind the end goal to put resources into the business. When stock offers have been issued the general population is allowed to purchase and offer those issues through a stock merchant. As the free market activity for the offers changes so too does the cost. Changing stock costs implies chances to benefit for a dealer.

With the entry of the web, it is presently conceivable to purchase and offer stocks economically and in a flash. This, combined with expanded instability has provided ascend to an ever-increasing number of individuals exchanging commodities instead of merely purchasing and holding them for quite a long time.

**Impediments of Stocks Trading**

Use. With a margined account the most considerable measure of user accessible for stock exchanging usually is 4:1. Meaning
a $25,000 could swap up to $100,000 of stock. This is low contrasted with forex exchanging or prospects exchanging. Example Day Trader Rules. Requires, at any rate, $25,000 to be held in an exchanging account if the broker finishes more than four exchanges a five day time span. No such administer to forex exchanging or prospects exchanging.

Uptick Rule on Short Selling. A merchant must hold up until the point when a stock value ticks up before they can short offer it. Again there are no such guidelines in forex exchanging or prospects exchanging where going short is as simple as going long.

Need to Borrow Stock to Short. Stocks are physical wares, and if a dealer wishes to go short, then the specialist must have courses of action set up to 'acquire' that capital from an investor until the point when the broker shuts their position. This restrains the open doors accessible for little offering. Complexity this to fates exchanging where the offering is as simple as purchasing.

Expenses. Albeit web-based exchanging costs for stock trading are low despite everything, they add impressively to the costs of day trading. Online fates exchanging is around 1/4 of the price for the proportional esteem. In the UK 0.5% stamp obligation is additionally required on all offer buys making
transferring for all intents and purposes outlandish - Hence the fame of spread betting.

Some first-time financial specialists harbor mistaken convictions about penny stocks. One such confidence is that it is one of the most effortless courses by which they could acquire cash from the currency showcase. Another is that because these stocks cost practically nothing, they won't encounter immense misfortunes on their ventures.

In any case, any accomplished speculator will disclose to you that putting resources into penny or pink stocks can be an extremely dangerous wonder. If you are thinking about putting resources into penny stocks, it is essential that you know the disservices of exchanging these minimal effort stocks. One drawback of putting resources into pink stocks is that they are as a general rule being offered by organizations that are encountering actual money related issues or, more regrettable, are near opting for non-payment. These agencies are trusting that they can procure a benefit so they can recover their misfortunes or recuperate to full operational levels. Betting on the conceivable destiny of a fumbling organization can be an exceptionally hazardous. On the off chance that your forecast is excellent and the group recovers, you remain to influence a fortune if the penny to stock ascents in esteem and you can auction them quickly while their costs are still high. Notwithstanding, as a rule, the organization entirely close
down and moves toward becoming delisted in the stock trade. At the point when this happens, poor people speculator is left with "dead stocks," which he couldn't change over to money or exchange for different stocks.

Another hindrance of penny stocks is that there is exceptionally insignificant specific budgetary data about them. The purpose behind this is mostly finished the counter (OTC) markets don't require strict monetary documentation from the organizations offering these stocks. Most financial specialists wind up guessing which penny stocks to put their cash in. Unfortunately, a considerable lot of these penny stocks in the end up being terrible ventures.

Pink stock exchanging is likewise powerless against control and tricks. One trick being executed online has brokers advancing or supporting specific penny stocks as potential winning speculations. To indicate amateur financial specialists that they stock is doing great in the trade, they buy a huge volume of offers which enlists as a value spike on the share trading system ticker. Typically, the naïve speculator begins purchasing up stocks. The merchant at that point offers his or her stocks at this high cost. This is abruptly trailed by a sharp decrease in stock costs. Because of this training, poor people speculator is screwed over thanks to low-value shares that they couldn't offer at a higher price while the dealer has harvested every one of the additions.
Regardless of the many disservices of pink stocks, qualified financial specialists still perceive the way that they can make significant increases from putting resources into these offers. The judicious game-plan is to ensure that your speculation portfolio ought to have close to 5 percent of penny stocks. Additionally, don't contribute a great deal of cash on penny stocks from a separate organization and just put in enough money that you are set up to lose.

Penny stocks are the stocks that have a less incentive than one dollar or these can be valuable to signify shares that are not traded on the New York Stock Exchange.

Penny stocks are fundamental among the general population. Many individuals believe that putting resources into penny stocks can be exceptionally useful yet in the meantime it is the most beyond any doubt approach to losing cash. There are a ton of hindrances of putting resources into them, and a portion of the detriments are said beneath:
- These organizations are not managed by the Securities and Exchange Commission, and along these lines, they don't need to report their advantages, report their scores, say the adjustment in organization framework and so on. This data is vital for the speculator. What's more, if this evidence is inadequate with regards to, at that point the financial specialist will think a considerable measure to contribute to any speculation.
- As these organizations are not managed appropriately, they won't illuminate you if they go bankrupt. In this way, they won't caution you in advance. It is considered as a hazard to put resources into penny stocks.
- They have a thin edge of trade. It implies you won't have the capacity to discover a purchaser at its present cost. There are low volumes of business for a significant number of them.
- Due to the absence of a history of the organization, you may even take up wrong ones. In this way, it may be unsafe to put resources into penny stocks.
- Standard stock intermediaries hence are prohibited from requesting these stocks.
- The exchanges including them are not done using stock trades.

**Risky stock trading**

Penny stocks are extraordinarily similar to common stocks separated from the way that they are not exchanged on the first stock trades. Penny stocks are, by definition, stocks that are transferring at or beneath $5 an offer. The reason for transferring penny stocks is the same as regular stocks: Try to purchase low and afterward offer higher.

Penny stocks are considerably more unstable than commonshares and thus lies their principle preference AND their vital weakness. Penny stocks can and do twofold their
cost in just a single day where it could take weeks, months or even a very long time for a consistent share to do likewise. For reasons unknown, it is far less demanding for a stock valued at one penny for every offer to help its cost to two pennies a proposition than it is a stock worth thirty dollars for each proposal to twofold its value to $60 an offer. What the more significant part of this way to the financial specialist is an uplifting news/terrible news sort of thing. Awful news first: These stocks can be volatile to the point that you can lose your full interest in under a solitary day. It's nothing for a stock worth one penny an offer to go to nothing rapidly. Regular stocks can likewise go to only they will take an any more extended period doing it, giving the speculator a chance to cut his or her misfortunes and keep a piece of his or her capital.

You can without much of a stretch be taken out by these stocks on the off chance that you are not giving careful consideration with your finger prepared on the offer trigger. Penny stocks don't consistently go about as you may expect after concentrate upon the essentials of an organization. In the realm of penny stocks, one regularly observes excellent partnerships going down and terrible companies going up.

Stock speculations are known and simple to embrace. These days, numerous financial specialists only take after the jam and put resources into stocks without setting aside the opportunity to think about the advantages and generally of owing status. Others are additionally enticed by the immense notoriety and
nearness of the organizations offering the stocks. In this way, many are influenced to purchasing loads of agencies given the glory of being an individual from the partnership. Maybe a couple has looked to discover how secure their stock ventures were. This article traces the dangers of holding stocks and how to secure your interests in shares if you have one.

Stock ventures are incredibly unpredictable. This is because of the financial circumstances in nations and connected to request and supply. The estimation of stock among others is controlled by the desires of commercial specialists about the capability of the organization. By so doing, a few shares are overestimated while others are very undervalued. In a proficient market, the powers of interest and supply will push these full costs to their harmony. By so doing, a few financial specialists will pick up while others will lose, now and again fundamentally. This has represented the all over development of stock costs throughout the years.

Another motivation behind why stock speculation is unsafe is the vulnerability of profit installments. Profits are paid to investors toward the finish of the bookkeeping time frame. Some of these profit installments are connected to the organization's profit strategy. Be that as it may, the governing body through yearly large gatherings can persuade the financial specialists why they can't pay profits. They may turn out to stories, for example, finding a decent chance to put which may bring about the higher incentive for the organization. Since a
considerable lot of the enormous financial specialists will need profit picks up because of the gratefulness in the offer esteem, they here and there vote to concur denying the littler investors nothing for the year. As a general rule, the vast majority of these guaranteed future returns never emerge, all to the impediments of stock speculators.

Likewise, disregarding all the examination completed by stock agents and high expectations for their customers, the vast majority of these objective organizations for ventures in view of unexpected conditions, for example, botch, sudden change in administration, tremors, wars, waves, and so on, are never ready to pay profits or acknowledge in esteem. Financial specialist in this kind circumstance will never make the most of their stocks speculations.

Be that as it may, there are some nearby routes by which you can secure your stock ventures. You can utilize plan venture arrange for where you don't extend your assets for speculation, however, exchange reserves from your record consequently to your merchant, guiding him in the matter of what to purchase and at what time, imparting tips and interview to your specialist. This will likewise help you not to contribute all you have but rather at your pace contingent upon your money related quality. You can begin with only one stock and include when you start to make benefit. You can likewise set up an Individual Retirement Account prominently known as IRA. By
along these lines, you contribute a part of your speculation benefits to this record which gives you some favorable expense circumstances. In case of immense misfortunes, you can fall on this document. Additionally, stock financial specialists can likewise secure their speculations with S&P 500 Index reserve or NASDAQ-100 Index stores. By putting resources into these assets with any measure of cash accessible, you have put resources into a pool of the best organizations on the planet. This implies your profits are connected to how these file stores perform. To a great extent, your earnings will be less unstable than putting resources into singular organizations on a similar stock trade.

Stocks are high wares to put resources into mainly when you do have a ton of assets for speculation. In any case, independent of the measure of cash available to you, you can secure your stock speculation with the systems above knowing exceptionally well the hazard that stock ventures postures

**Reasons to avoid stocks**

A large number of you may have known about Penny Stocks otherwise called "Pink Sheet Stocks." Similarly, as their name says, penny stocks will be stocks that typically offer for not as much as a dollar an offer and now and again it might be under $5. These sorts of stocks are profoundly theoretical and dangerous suggestions. Since these supplies of small
organizations don't meet the base prerequisites to be recorded in any significant stock trade, they exchange on Disadvantages: Penny stocks are exchanging so shoddy which is as it should be. Before the costs of these stocks impact your exchanging choice, help yourself out and make this inquiry, "Why are these stocks exchanging at pennies and not recorded on significant stock trade?" If you can answer this inquiry convincingly, then you do comprehend the hazard related to these stocks.

My Opinion:
These organizations are losing cash hand over clench hand without any incomes and profit, weak administration, more obligation than resources and a heap of different reasons. If you take a gander at their value volume activity, it's to a high degree unstable and can be controlled efficiently. Indeed, with next to zero controls on OTCBB stocks, costs of penny stocks can be controlled efficiently. For instance, if a share is exchanging at $0.50 and its average exchanging volume is 10,000 offers per day when somebody comes in to purchase 5,000 offers that request is probably going to change the progression of free market activity of this stock and impacted the cost in one way or the other.

Favorable circumstances:
The offer cost of penny stocks is low to the point that anybody with an exchanging record can bear to purchase shares. Some financier firms may have you sign the printed material before
they let you exchange penny stocks. For instance, with just $500 you can purchase 2,000 offers of 0.25 penny stock. The magnificence of penny stocks is that With a little value change toward you, it can make you a pontoon heap of cash yet this excellence accompanies a massive drawback. If you are found napping on your exchange, it can break you.

Not all is that awful with penny stocks. A portion of the large organizations of today once began to exchange on OTCBB. Notwithstanding, it is fundamental that you get your work done before you even consider obtaining your first penny stock. There ought to be no space for the mistake with these stocks.

**My Opinion:**

On the off chance that I genuinely get keen on a specific penny stock, I would keep it on my radar and watch it all the more intently for a few quarters as it turns itself around with stable income and profit development and influence its presentation on the real stock to trade. That would be an indication that the organization is profiting and demonstrating its believability to exchange alongside large stocks.

**Till then avoid Penny Stocks!!!**

At the point when a financial specialist has a specific arrangement of penny stocks to watch, it is regularly depicted as a remarkable feeling of penny stock exchanging because such speculator as of now has a concentration and may not
likely be a casualty of the missteps of others. Having individual penny stocks to watch rundown can be somewhat testing a direct result of the way that there are two sides to it as far as points of interest and burdens. It is just a pity today that only couple of individuals comprehend that being excessively engaged now and again can lead, making it impossible to daze unyieldingness which may, in the end, brings about missing imperative open doors in the market.

One noteworthy standard for a fruitful stock dealer is dynamism. This infers you need to demonstrate particular component of inventiveness in your treading enterprises and that there are conditions you need to exclusively rely upon your full watchfulness with a specific end goal to establish a connection. Deplorably, this may not be a property of a dedicated devotee of penny stocks to watch since you are potentially not going to understand the need to have a go at something else and investigate different open doors once you have decided for penny stocks to watch. What I mean is that one of the weaknesses of the penny stocks to wait exchanging strategy is your powerlessness to practice your imagination since you now feel loose with a specific gathering of shares. Another significant test with this strategy is the way that financial specialists now appear to be mentally fixing to their interests in those stocks and accordingly may not promptly be touchy to necessary chameleon showcase changes. Furthermore, since being touchy to the chameleon changes in
the market as a financial specialist gives an edge over others, you genuinely require not to be subject to penny stocks to watch in any case, not to discuss losing your innovative senses to streamline these open doors. The absence of originative impulses in stockbrokers can likewise be said to be in charge of more substantial part of misfortunes separated from other unavoidable individual failures.

The sense in this written work isn't to panic you from being a devotee of penny stocks to watch, is just intended to show you how you can influence the best to out of this available stock exchanging systems. The favorable circumstances are so gigantic when compared with the exceptionally proclaimed detriments. In a genuine sense, you would be a superior merchant, and a victor that can oppose each gossip with a one of a kind comical inclination since you as of now have a core interest.

**The Pros and Cons of Investing In Trading Stocks**

With more and more people investing in the stock market, the companies are trying to draw in more and more investors. Penny stocks have resulted in very many investors flocking towards the stock market. These types of stocks are low-value shares that require minimal money of the investors. Investments on this kind of share can be advantageous as well as risky. Though the best penny stocks provide various options, which cannot be availed on purchase of other shares, the
investor needs to be aware of the disadvantages that can come his way. Only by judging the potential of the market you should take up the steps towards investment.

To issue stocks or shares, companies need to meet some prerequisite criteria. It is only with the issuing of penny stocks that no such requirement is necessary. Therefore, an investor should have a complete idea about the company and see to it that the shares incur no negative income. The currently the best penny stocks are the ones that generate appreciating value. In case of a bear market day, the cost of even the best of such shares falls to a great extent. To sell these shares one needs to lower the price, and often there are no buyers. This calls for a significant disadvantage, which one should be careful about. Irrespective of the cons involved, many investors invest in such stocks. Due to the low pricing of the penny stocks (less than 1$ per share as per UK standards and less than 5$ per share according to US market), investment resources have become more available to the common man. The best penny stocks serve as a good learning experience for novices, as, by investing little money, they get to know about the trends of the stock market. Investment returns are by far the best in the market as profits double and triple in no time.
PART 2: TRADING OPTIONS IS BETTER THAN TRADING FUTURES

Chapter 9: What Is Futures Trading?

Sometimes the best place to learn about investing is at the movies. Even experienced traders will tell you that you won't find a better tutorial of futures trading than the 1980s comedy Trading Places starring Eddie Murphy and Dan Aykroyd. Mostly the story is a morality tale, but the vehicle used to drive the plot is future trading on commodities, individually frozen concentrate orange juice. After millionaire commodities brokers Ralph Bellamy and Don Ameche pull Murphy's con man from the streets and explain to him how futures trading works Murphy gets it immediately. "Sounds to me like you guys a couple of bookies," he says famously.

What Is Futures Trading?

Futures trading is merely a speculation - or a bet, in Eddie Murphy' parlance - on whether the price of a commodity will rise or fall. Futures trading goes back to Chicago in the 19th century when farmers and dealers came together to form an exchange whereby dealers committed ahead of time to a price to pay farmers when they brought in a crop at the end of a season. There is nothing a market hates more than uncertainty
and this arrangement suited both sides as it enabled the farmer to know how much to spend in the growing season to ensure a profit at harvest and it let a dealer plan his business around a known outlay of cash upcoming in the future.

For most of the next hundred years, futures trading was reserved mostly for farm products like corn and soybeans and wheat and cattle. But over time other commodities began to be speculated on like metals, oil, lumber, and that frozen concentrate orange juice in Trading Places. Look around you - if you see something you use every day it is probably being traded somewhere in the world on a futures market.

The most important thing a neophyte futures trader learns is that the buyer never actually takes possession of the commodity - at least almost never. Professional investors who have traded in pork bellies their entire lives probably would not know what a pork belly looked like if a truckload was dumped in their driveway. You don't need to invest in a refrigerating plant to trade frozen concentrate orange juice, and you don't have to acquire grazing land to invest in cattle futures. What is being traded back and forth is a contract that specifies a date sometime in the future when the holder of the contract is required to deliver a quantity of the commodity for a predetermined price. In that futures contract everything about the transaction is spelled out - the quantity and quality of the merchandise, the exact amount per unit, the date it is expected and how it will be delivered. These are real-life transactions,
and there are real sellers and real buyer and genuine products involved, but unless there is a mistake, you will not be the last one holding the contract and responsible for its execution. So in Trading Places when Dan Aykroyd yells out on the trading floor "Sell 200 April at 142!" he is saying that he will sell 200 units of frozen concentrate orange juice when April comes at the price of $1.42. Anyone who speculates that the rate of orange juice will be higher than that in April will want to buy Aykroyd's orange juice contracts. In the movie, Aykroyd knows the price will be much lower in April than it is when he is selling the deal so all he will need to do is find some more orange juice at a lower price before that and he will be guaranteed to have a buyer for it at $1.42. That is called short, and that is how Murphy and Aykroyd wind up on a tropical beach at the end of the movie.
Chapter 10: Who Is Trading Futures?

Well, it probably should not be you unless you have a healthy appetite for risk. Nearly all futures trading is done by speculators who are betting on those prices going up and down. Most represent large companies with a bottomless well of resources - your usual suspects of banks, insurance companies, and fund managers. Private investors can play the game as well, of course. You will see reports that 70 percent of those new traders will be wiped out within a year. Don't believe those numbers - they failure rate is probably higher.

Any money you invest in futures trading should be money you absolutely can afford to lose. A bare minimum stake to start spending with would be in the neighborhood of $20,000 and ideally much more. With $20,000 you can fund roughly 5 percent of your trading capital per trade which will give you 20 trades to play around with before you get wiped out. Don't think you can lose 20 trades that are not offset by winners? Don't say it too loudly.

A small percentage of players trade futures as hedgers. These are typically producers of commodities who believe the prices of their products are likely to fall and want to protect themselves by locking in high futureexpenses to minimize the actual loss in the market. The boys in Trading Places would
have been hedgers were they selling their orange juice instead of trading contracts. By the way, Trading Places serves as sort of a historical document for commodity traders. Gone are the raucous scenes of traders "in the pit" waving contracts and yelling to attract buyers or sellers. Today's futures traders do their work at computers; they could do their trading in the local library.

If you come from the world of stock trading and are familiar with the Securities Exchange Commission (SEC), there is a corresponding regulatory body for futures trading. Two in fact. They are the Commodity Futures Trading Commission (CFTC) that is an independent board and the National Futures Association (NFA) that answers to the United States Congress. Futures brokers are required to register with both to do business. If you ever feel wrong in the game, you can appeal to the NFA for justice and the CTFC to try and get your money back.
Chapter 12: Why Trade Futures?

There is a lot of money to be made in trading futures (remember every time you read about making money in the futures market the corollary is also right - there is big money to be lost in trading futures). The most significant advantage of trading futures contracts is that they are highly leveraged investments. Whereas you can trade stocks with a 50 percent margin, you typically can buy a commodities contract for only five to 15 percent down. So if you are on the right side of a position, your profits will be multiplied as much as three to 10 times what a similar win with a leveraged stock might bring. Futures markets move quicker than cash markets, so it is possible to make money faster in commodities (and lose it more quickly, remember the caveat). Commodity contracts are very fluid since there is always someone willing to bet a future price will go up if you think it is going down and vice versa. Many professional commodity traders will hold contracts for only hours.

You will also discover commissions from brokerage houses to be smaller with futures markets. You can even do away with them entirely if you engage in spread betting. For instance, if you wanted to buy those frozen concentrate orange juice contracts at $1.42 but did not want to put up the commission
you can find a firm willing to execute the trade for you by entering the agreement at $1.44 and keeping "the spread" as their payment. This works best for long-term contracts rather than quick day trading much as it is much more expensive to use a payday lender every week rather than a bank account.
Chapter 13: How to Trade Futures

The safest way to trade futures contract is with Stop-Loss orders. They are just what they sound like - instructions to staunch the bleeding at a predetermined level. They can also be used to lock in profits, so Stop-Loss orders are good to have in an investor's toolbox.

Stop-Loss orders are placed at the same time a trade is entered. Back to those frozen concentrate orange juice contracts, Dan Aykroyd was waving around for sale at $1.42. The price would eventually fall to 29 cents. That would spell ruin for anyone buying those deals, as it did for Ralph Bellamy and Don Ameche. But if they had purchased Aykroyd's contract with a stop-order of $1.40 they would have parachuted out of the position automatically when the price fell below $1.40, saving most of their fortune.

On the other hand it the price rose to $1.50, Bellamy and Ameche could move their original stop-order from $1.40 to $1.48 and ensure they would profit by at least eight cents should the price of frozen concentrate orange juice begin falling back down?

Of course, safety in investing often comes with a price tag. Using the example of a stop-order at $1.40 let's say that the
price dropped briefly to $1.38 and then shot quickly up over $1.50. Those profits will not be padding your bank account because you are automatically moved out of the contract as soon as the price hits your Stop-Loss order limit.

Never cancel a Stop-Loss order once you place it. You initiated the law - hopefully - as part of a sound investment strategy, and you do not want to bid it farewell due to an emotional reaction to later events. And never change your position in a market without sound, rational motives. If you are the type who likes to work without a net, you can avoid using Stop-Loss orders but always realize that you can lose significantly more money trading futures that may sit in your account.

The reason a Stop-Loss order is critical is the margin call. Since you are investing only a small percentage of the value of the contract, you must maintain a minimum amount of money in your account, called the maintenance margin. If the price of the commodity tumbles below that level a margin call is issued for you to bring the amount of your account back up to its initial level. If a margin call is issued, you must pay up immediately, or the brokerage has to liquidate your entire position right to cover the losses. That is why people were jumping off buildings when the stock market crashed in 1929. As with your entire investment portfolio diversity can be the key to minimizing risk in trading futures. The best traders in the world limit their position in a single commodity to between
three and five percent of their trading capital. You should certainly do the same. Build positions in as broad a selection of markets as you feel you know. That may include areas in corn, gold, crude oil and the Nasdaq for instance. But never enter a market without judgment to support your move - do not try to build a diversified futures portfolio for diversity's sake.

When searching for new markets to flesh out a portfolio look beyond the big exchanges like the Chicago Board of Trade or the Chicago Mercantile Exchange and investigate other transfers where you can take on much smaller contracts - as far as 80 percent lower. This way you can ease your way into the vagaries of commodities. You can also engage in paper trading (using make-believe trades and following real-market results for a period) if you find that way of learning about new investments helpful but it is never like trading with real money.
Chapter 14: Where to Learn about Trading Futures

One of the attractions of futures trading is that it a fairer marketplace than other markets such as the stock markets where amateur investors can never hope to compete with the inside information professionals can access. With commodities, especially farm products, official government reports are released at the end of the day, and anybody can study them before the opening of the next day's market. In Trading Places the way Eddie Murphy and Dan Aykroyd perpetrated their scam on Ralph Bellamy and Don Ameche was to steal a government crop report and replace it with a fake.

There are two types of analysis: Fundamental and Technical. With Fundamental Analysis your sources of information on commodities will be places like National Weather Service reports, government supplied data, interest rate projections and international news analysis on government stability in foreign lands. If it sounds like you bet a lot of the weather and the government in trading futures you might not be far wrong. Remember we did say any money you invest in futures trading should be money you absolutely can afford to lose.

There are also Technical Analysis indicators and tools to chart market prices and historical data. You can devise your own or purchase them from various commodities gurus. Some people make their livings by trading futures all day, every day so as a
new futures player you can never expect to be as well-armed as the professionals. But hey, whenever you find a trend, remember to invest into it and never against it.

There are plenty of books to read, and Futures Magazine is a monthly publication that has been analyzing the ins and outs of futures contracts since 1972. It is usually stuffed with articles on industry issues, market developments, trading strategies and plenty of fundamental and technical analysis. Technical Analysis of Stocks & Commodities has been doing much the same since 1982.

If you have neither the time nor the confidence to take on futures trading on your own you can turn to managed accounts. Much like your dealings with a stockbroker, you would empower a professional futures broker to supply information and make trades subject to your directives. You would still be required to cover all losses, and the management fees will arrive regularly whether you are winning or losing. Also just like equities you can pare your risks by joining a commodity pool where investment monies and expertise are mingled into a single account. These are also typically managed by a professional broker and your profits - and obligations - would be proportional to the money you invest in the pool.
Chapter 15: Dos and Don’ts when trading futures

Now let’s distill the information above into more digestible bites. These tips will be your guideposts along the path to success and light the way, so you avoid the pitfalls new investors are susceptible to.

Seven Tips For Always

1. Don’t let your emotions get the best of you.
You have a wealth of information at your fingertips, and now you have the wherewithal to turn all that info into actionable steps. Don’t let pride, or wanting to be right, or fear derail you.

2. Trust Yourself
This is the key difference between an okay trader and a great one. It might seem like this contradicts the previous piece of advice, but if you’ve done your homework and come to a fact-based conclusion, don’t let the opinions of others turn you from the path you’ve decided on.

3. Don’t worry About what’s “Hot”
This builds on Tip 2. When you get into the world of investing you’ll be getting tips left and right from people who may or
may not have an ulterior motive, and almost certainly won’t have as much insight into your particular needs as you do. It’s easy to let excitement carry you along, but it’s almost always dangerous. If you hear that a stock is “hot” at a dinner party, everyone already knows about it, and it’s probably overvalued at this point.

4. Remember Context
Investing doesn’t happen in a vacuum. When you hear horror stories about someone losing their house in bad trades, it’s always because they forgot about the context of their life. You have to have income that pays the bills and remembering that to chase the next big windfall is just another emotional mistake that you must avoid.

Diversification isn’t a one-time process. As you sell off parts of your portfolio, you’ll reinvest that money in other ways. Make sure your collection remains diverse.

6. Be Patient
Making money on the stock market takes a cool head and a steady hand. If you jump out of the water every time, it gets a little warm you don’t stand a chance. You’ll take losses, but you now know how to deal with them. Don’t let a small loss become a drain on your assets or your focus.
7. Respect the Time Limitations of Your Investments
Say you invest in a fund or bond that requires you to hold it for a specified amount of time. During this time, the market spikes, and you realize you’d still make a little bit of money if you sell now and pay the fee for exiting early. While you didn’t lose anything in this transaction overall, you’ve lost the opportunity for that money to make as much as it could have if properly invested. If you know you’ll need cash to hand during the time an investment requires, pick a different placement.

Seven Tips For Never

1. Over-Diversification
After all this time drilling the importance of diversification into your head, this may come as a surprise. It’s true, though, that there is a thing as too much diversification. If you only have a small amount to invest, and you spread that too thin, you’re alone leaving yourself the option of buying extremely inexpensive stock. This may cause you to miss opportunities you wouldn’t otherwise. In this case, the advice should be: Diversify Wisely.

2. Ignore Fees At Your Peril
Even with a discount broker, trades aren’t free. Remember to calculate the fees into the price of stocks you buy and to subtract them from your profits on shares you sell. It seems obvious, but you can trade yourself out into a hole if you’re not
careful to monitor how much of your money is going to fees and commissions.

3. Don’t Think In Dollars
You must think in percentages. For a simple illustration of why imagine this scenario: You hold ten shares each of Stock X and Stock Y. Stock X, you bought for $100 per share, and it’s gone up to $110 in the first quarter you own it. You paid $6 per share for Stock Y, and now it’s gone up to $9. While apparently, Stock X has gone up $10 and Stock Y has only gone up $3, Stock X has increased 10% while Stock Y has skyrocketed up by 33%. That’s quite a difference. Looking at percentages ensures that you’re making your money work for you as hard as you can.

4. Analysis Paralysis
You can’t noodle over forms and charts forever. At some point, you have to pull the trigger and enter the marketplace. Do your homework, but make sure you get to the real work once that’s done.

5. Paying Someone Else To Do Your Job
You’ve apparently come this far, so you are willing to do the work of investing yourself. Don’t spend a full-service broker or advisor to make decisions you can go yourself. Not only is this a waste of money, but it also removes your ability to use your
specialized knowledge to choose stocks and investments that you believe in.

6. Stay Off The Style Merry-Go-Round
If your goals are lofty and your risk tolerance high, jump in with both feet. If you’re a less aggressive investor and want to build a safe “buy and hold” portfolio, choose cautious investments from Day One. Part of learning to be successful on the stock market is practice. You’ll need to get used to the swing of the market, and you won’t do that if your style is jumping around erratically.

7. Don’t Use Real Money Your First Time Out!
Many sites offer “virtual stock markets” that will let you get a feel for how buying and selling stocks works without investing a dime. It’s entirely worth your time to spend a few hours on these sites getting your feet wet. Beware, though: this is a particularly secure place to get hung up in your homework, leading to #4: Analysis Paralysis. A few hours is good, but a few hours is enough. Apparently, there is a lot more depth in some of these areas, but you are now well rooted in a foundation of knowledge that will allow you to get started as in investor. Keep your head clear, focus on facts, and you’re well on your way to investing success. Best of luck!
Chapter 16: Why you should not trade futures

The Disadvantages of Futures Online Trading

Over the current years, internet exchanging has to increase monstrous prevalence in Malaysia. It began with securities and values trading with the neighborhood banks. Presently, Bursa Malaysia has likewise opened its entryways for people to transfer subordinates, for example, fates and alternatives using the web.

Presently, there is a decision for singular merchants and speculators to exchange subordinates and products all alone or to experience their specialists.

Inconveniences

No Expertise Opinion

Exchanging yourself will likewise imply that you will just exclusively depend without anyone else judgment of the business sectors, of which you are will undoubtedly make mistakes. Having an accomplished representative will give you the certainty since the activity of the specialist is to ponder and be near the market and also on-going news that will influence the market.
Another disservice is that nobody will instruct you to leave your position either to close for benefits or to cut misfortune. As people, in some cases, we may exchange as per feelings, and that can twist judgments and the discernment of contributing, in any case, the procedures. Having a specialist will help lessen or dispense with passionate exchanging. On whether you ought to exchange online relies upon your level of understanding. It additionally relies on the help of the intermediary. Some business firms offer included administrations for customers, for example, instructional courses with the goal that brokers may get specific and open to exchange on the web.

Before I can reveal to you the favorable circumstances and detriments of exchanging prospects, it's imperative to see how it contrasts from transferring stocks.

When you purchase a stock, you possess some portion of the organization. That is, you share proprietorship with different speculators. That is the reason we say you are buying shares. Exchanging fates, then again, requires an agreement to purchase or offer the ware later on. That is the reason they are called prospects.
You can purchase or offer those fates contracts as efficiently as exchanging stocks. Besides, you don't need to lay out the cash. In any case, you do tie up assets as an edge.

The issue is that the edge hold is no place close to the real estimation of the ware if you somehow managed to buy it. This is known as the Notional Value. It's figured as the market esteem increased by the use. What's the disservice?

When exchanging prospects, you need to apply your due persistence in knowing the notional estimation without bounds contract.

If you don't focus on the Notional Value, and an exchange continues conflicting with you, and you don't close the transaction at a little misfortune, it can escape hand. You could wind up losing a great deal of cash in a brief timeframe. If you achieve the cutoff points of your edge, your specialist will close the exchange on the off chance that you don't. That implies you've been removed from the market and you might not have the assets to get back in. Amusement over! Therefore, you have to remain little. Try not to add to terrible exchanges wanting to bring down your cost bases. Or maybe, just concede that you weren't right and you'll be around to play one more day when an open door emerges.
Points of interest?
There are numerous, and these are the reasons why I cherish prospects overstocks. Whatever remains of this article will quickly list the focal points with exchanging chances.

Exchanging Long and Short
Running short with Futures is similarly as simple as going long. It's merely an issue of choosing in which course you think the market is going.

No Day Trading Limits
There is no day exchanging limit with Futures. Stocks must be traded three times in a day before the IRS thinks of you like an informal investor. Fates can be purchased and sold any number of times in a day, enabling one to take brisk benefits and advantage from intraday swings.

No Wash Sales Penalties
The IRS does not punish you for assuming a misfortune and returning a similar exchange inside 30 days. At the point when this is finished with stocks, it is viewed as a wash deal, and you lose the advantage of deducting the misfortune unless you can convey it forward to a future pick up on a similar stock. The motivation behind why it's not punished for Futures is because Futures estimating are recorded as Marked to Market. I won't get into that here. You can only do a Google look for the term if intrigued.
**Exchanging 24 hours**

Prospects exchange almost day and night, except on ends of the week and brief periods in the middle of for trade record keeping.

**European Style Trading**

Investment opportunities take after the American Style that can be practiced whenever. When exchanging investment opportunities, one should be mindful to abstain from being practiced if the alternative is in cash. Most Futures Options exchange European Style, which can't be practiced before termination. There are a few individual cases, particularly with weeklies. That is past the extent of this article, however.

**Expense Advantage**

Prospects and Options on Futures are dealt with as indicated by IRS Section 1256. That gives a duty advantage since 60% of all additions are viewed as Long Term. This is genuine regardless of the possibility that held for only a couple of moments. Use. Can impede if it supports exchanging with too high a hazard for a specific methodology. A precisely concocted cash administration design is fundamental.

Overtrading. The moment idea of electronic prospects exchanging combined with low commission costs and tight
spreads can urge a dealer to take other exchanges to those dictated by their exchanging plan. 

Online prospects exchanging offers critical advantages to the retail dealer. Nonetheless, a deliberately created exchanging plan must be detailed before endeavoring to enter this amazingly focused business.

At the point when the majority of us consider forex exchanging, we are genuinely contemplating spot exchanges. However, there is indeed another frame, and that is called forex prospects. There are a few contrasts between the two, and preferences and impediments to every strategy.

Forex prospects exchanging happens on built-up trades like the Chicago Mercantile Exchange. Exchanging must be finished amid swapping hours on the trade, and there are far less swapping open doors than there are on the free market. Another downside to prospects exchanging is that you need to pay a commission, while on spot exchanges you merely pay the spread or the distinction between the purchasing and offering cost.
Not everyone is impressed with fixed odds trading, though, and while its popularity is steadily rising, critics of this method still exist. It can create uncertainty in the minds of finance rookies and get them to question whether fixed odds trading is right for them.

Just what exactly are these critics saying and how accurate are their statements? In this section, we’ll be looking at the various disadvantages and criticisms that are often raised about this financial trading method, and we will be addressing them one by one to see whether these statements are accurate.

**Your winnings are independent of market performance**
While this can also be considered as an advantage, many finance professionals see this as a shortcoming. In fixed odds trading, whether a stock, currency or commodity does well or not, does not affect some your winnings or profits. In other words, if the stock that you trade rises by three points at the end of trading day, you won’t be able to share in that stock’s success.

Many traders have made a killing by buying and selling stocks according to its performance in the market. In fixed odds trading, however, whether or not a share does well in the market does not matter, the price movement is more important.
The silver lining is that your risks aren’t tied to a stock’s performance that can be easily affected by a myriad of factors beyond your control. So even if a stock’s value falls dramatically, your portfolio won’t be gravely affected by its performance. It is a more productive way to protect your resources and investments from what you cannot control. Even if critics say that you are getting short-changed in fixed odds trading, the truth is that you are benefiting from the protection it affords from significant losses.

You can’t use leverage

The more experienced financial trading players often maximize their potential for profit by using force. To briefly explain, advantage is “borrowed capital” usually provided by the trading platforms that are used. With advantage, a trader or better will be able to increase their investments from trading in futures, margins or options even with limited funds. A 5x margin or leverage can boost profits up to five times and so on. It may seem appealing to many financial traders. But as leverage magnifies benefits, equally, it amplifies the losses. If for example you only have enough money to invest in shares of Stock A, with leverage you can invest in two shares, allowing you to spend in both Stock A and Stock B. You could easily double your money IF the market turns in your favor. But if it doesn’t, you will lose more than the money you were willing to invest, to begin with.
Having no leverage in most fixed odds trading platforms including Binary.com may turn off the more aggressive financial traders. However, for those who are only beginning to explore the world of trading, this is an essential advantage that ensures that they would not lose more money than they were willing to invest.

Again, asset protection and money management are the keys to minimizing risk in fixed odds trading, and the absence of leverage makes it easier for these traders to place bets with confidence and awareness of the risks involved. Online trading platforms are merely like financial trading slot machines. This criticism may be more directed towards the platforms offering economic fixed odds trading rather than the trading method itself.

There is a degree of truth in this in the sense that a lot of these platforms do use colorful, bright and flashy interfaces or homepages. That’s about the extent that this statement holds right, however. Part of the beauty and distinctiveness of financial fixed odds trading is that you have a significant degree of control over the duration of the bets you want to make.

On Binary.com, you can even set the duration at only 30 seconds in some markets. If you just have five minutes during your lunch break to actively place bets, and you want to see the
results immediately, this is an advantageous feature that you can take advantage of. You can also set the duration of your trade to a full year if you want to.

Fixed odds trading may offer quick returns and profits, but it’s ultimately up to the trader to decide how long bets will last. This feature is also what attracts traders to fixed odds trading because it gives them a degree of control over their investments.

Some financial traders who are more experienced and serious about their investments may prefer to use instruments from more established financial institutions for a variety of reasons. However, the most widely used online platforms like Binary.com are legitimate websites that have industry-standard security measures in place and tickets that are updated in real-time.

When choosing an online trading platform to invest in, caution and vigilance are of extreme importance. It is true that online trading platforms differ in quality of service and the reliability of their figures so you will need to be very careful where you deposit your money and where you place your bets. It's hard to interpret the financial markets, in a short amount of time. This statement also has some truth to it in the sense that financial markets are inherently difficult to understand and predict no matter how long or short the duration.
For example, only a handful of people were able to predict the Dot Com Crash in 2001, as well as the credit crisis and Wall Street collapse in recent times. So whether you have 30 seconds to read the financial markets and its movements or an entire year, it is still an inexact science subject to analysis and interpretation.

This statement also actually encourages the use of fixed odds trading over other forms of financial trading because you are only mostly concerned with the market’s movements. Whether a stock’s prices rises or falls, all you’ll need to make a profit is for a movement to happen, hopefully in your favor. You won’t need to look at a myriad of variables that may affect the price to know what to do or what to trade and when. All you’ll need to predict is whether the price goes up, down or sideways.

**The prices on online trading platforms are not consistent**

Again, this may be true for some online trading platforms but not for Binary.com. Let us look at the reasons. Some online trading platforms merely calculate and predict market prices, and if you make a comparison with more traditional finance and trading resources, the numbers and figures appear inconsistent. How does that happen? Not all online trading platforms are licensed and regulated. Over the years, many online platforms have come and gone for precisely this reason. Using computations instead of real-time
figures is not only deceitful; it is also to the disadvantage of the traders who are basing their bets on real events. That’s why when using an online trading platforms to place bets, be very selective and cautious.

Binary.com, on the other hand, is a fully licensed and registered company that has been providing a financial trading environment for over 200,000 traders all over the world. If longevity is any indication of the company’s trustworthiness, then consider that Binary.com has been around since 1999 and is co-owned by a company that is listed on the Hong Kong stock exchange.

What does this mean for you? Simply put, Binary.com is a legitimate online trading platform that doesn’t engage in fraudulent activities. The market prices that you will see here are comparable to those that you’ll find on Yahoo! or Bloomberg.

So while the criticism applies to a handful of online trading platforms, you have the guarantee that Binary.com is safe to participate in.

**Exchange Traded Funds**

Exchange-traded funds, or ETFs, are instruments that are “baskets” of individual stocks or other underlying products.
They are subject to the same valuation procedures as individual stocks but offer the diversification function of a mutual fund.

**The Pros and Cons of Day Trading ETFs**

Some of the good things about day trading ETFs include diversification, multiple sector availabilities, and popularity with traders and institutional investors. Popularity with traders and institutional investors can lead to relative safety and overall good day trading opportunities. The few disadvantages to day trading ETFs are mainly limited to the fact that your trading margin will be restricted to the same amount as individual stocks, as ETFs are traded on the same exchanges as most individual stocks, and are regulated as such.

**Foreign Exchange**

After you leave the relatively simple world of individual stocks and ETFs, you might want to enter the world of day trading foreign exchange, gold, commodities, and futures. These sectors can allow a day trader to amplify each trade, as the proper margin ratios can be quite extensive, and in some cases unbelievably so.

**What Sets Foreign Exchange Apart**

Day trading in the foreign exchange (FX) market lately has become one of the preferred areas for traders looking to make a living at selling. It is an unregulated market, open around the world, trading twenty-four hours a day from Sunday afternoon
to Friday afternoon. Trading FX differs from other types of trading in a variety of ways. The first difference is what is being traded: As opposed to companies, baskets of groups, or a commodity, what you are purchasing is the difference between the exchange rates of two currencies. For example, you could place trades thinking the Australian dollar will strengthen against the Japanese yen (AUD/JPY), the U.S. dollar strengthening against the Swiss franc (USD/CHF), or the Norwegian krone getting stronger against the euro (NOK/EUR). You sell, or short, the currency you think will go down and use the money to buy, or long, the currency you think will go up.

The Difficulties of FX Day Trading
FX day trading does have its downside, though. The fact that things can happen quickly and unpredictably is a negative aspect of FX trading that is shared with other sectors. FX markets are subject to unpredictable impacts, such as economic and geopolitical news like unemployment figures, military skirmishes, and other quickly happening, short-timeframe events. Other news and events influencing the FX market are sudden (or not so immediate) the central bank interest rate changes. For example, a Pacific Rim currency such as the Australian dollar (AUD) can increase its interest rates overnight while you sleep, causing a long-lasting “jump” in the value of the currency against a lower-yielding currency such as the Swiss franc (CHF). This could cause severe problems with
any short AUD/CHF positions you might have been holding overnight with thoughts that the safe-haven Swiss franc would appreciate against the high-yielding Australian dollar.

**One More Thing about Day Trading FX**
A factor that works both for and against you when day trading FX is the avail the ability of such large margin amounts. Once you get used to the number of leverage in your FX account and learn how to use it safely, it can be a handy tool to amplify your profits. If used excessively, however, it can lead to massive losses very quickly.

**Gold as a Currency**
If you think that the FX market might be a right place to trade, you might also consider the gold market. Day trading gold is unique in trading because you have to think of it as both a commodity and currency.

**Paper Money and the Price of Gold**
You may have thoughts in your mind that it is easy to see that gold is a commodity, as it has the physical property of being metal. But why is gold a currency? This is because the price of gold moves inversely to the value of paper money such as the U.S. dollar, the British pound, and the euro. This is true because while there is a relatively fixed amount of gold, there is an ever-changing amount of printed and electronic money available. When there is more money in circulation, the price
of gold goes up because there is more money bidding on the same amount of gold.

Day trading gold can be like day trading the market's sentiment on inflation. The more the market thinks there is potential for increase, the more traders will bid up the price of gold. The opposite is also true: The rosier and positive the economic picture, the more traders will sell gold, causing the price to go down.

**The Problems with Day Trading Gold**

However, gold prices are subject to geopolitical as well as economic news, both of which can be fast coming and unannounced (with often illogical effects on the market).

Another issue that affects gold's price is that gold is strategically bought and sold by the world's central banks. An announcement from a major central bank to buy or sell large quantities of gold could move the markets quickly and for the long term, with both good and bad effects depending on how you are positioned.

Because of the limited amount of gold available to trade, both central banks and major institutional investors (such as hedge funds) can have a significant influence on the price of gold in the market.
Lastly, the nature of gold's day tradable products, mainly ETFs and futures, offer downsides themselves: low available margin for ETFs and high minimum account size for futures.

**Futures**

When people say they trade prospects, they are saying they are trading fixed sized contracts that allow the holder to buy or sell an underlying product at a set price at a specific date in the future.

Futures have their number of units per contract and settlement date set by the exchanges and can't be modified. This means that arrangements are uniformly interchangeable, so trading is simplified. Each futures contract has a buyer and a seller. One of the parties involved in the trade will be a hedger, and one will be a speculator. The hedger will enter into the contract to offset her risk that the future price of the product will move up or down against her.

For example, a manager of an airline gets the feeling that the price of jet fuel will go up substantially in the next six months, and this price increase will make it difficult for her company to make a profit. She buys an oil future with a set price of oil six months in the future to lock in the amount of jet fuel for her fleet of airplanes. The set price she locks in is one that she knows that her company can afford to pay for fuel and still
make an acceptable profit. With the contract, she is hedging her fuel expense risk, as it is a form of managing the future expenses and advantage of the company.

A speculator will buy the other end of her oil future contract. This speculation does not have an actual need for oil or jet fuel. He does, however, think that the price of oil will be less in the next six months than the contract price. Seeing an opportunity to make a profit, he will buy the futures contract that the airline company manager is selling. Money is built on a futures contract when the locked in price of the contract is less than the actual amount of the commodity.

For example, if you buy one crude oil contract in July for oil to be delivered in November at $70 a barrel, and the actual price of oil moves above the $70 contract price, the value of your futures contract will move in tandem with these price movements. The dollar equivalent of this transaction will be the gain in the price of your future. These contracts are bought and sold in vast quantities daily, creating a very liquid and profitable market for day trading.

**Many Active Traders**

Futures products range from commodities to financial products such as T-bill futures, foreign exchange futures, and S&P 500 futures. With their set contract size and delivery dates, they can be traded year round and worldwide with just an Internet
connection. The futures market is thick, with many institutional traders and companies coming together, and can be truly international. A Swiss food company might enter into a U.S. dollar futures trade and offset it with the purchase of a wheat future. With this, they can lock in the exchange rate from Swiss francs to U.S. dollars and plan to use the U.S. dollars to purchase #2 soft red winter wheat to ship to their foodstuffs factory in Costa Rica.

Every little bit helps! While most day traders use a system of both computer-assisted and manual trading, some $100, million-plus hedge funds have mathematically based fully automatic “black box” trading platforms that are programmed to be in and out of a futures trade for under $10 in profit!

**Margins and Short Sales**

Margins are invaluable for making money on the stock market. Margins are “matched money” which allows you to buy more and more different stocks than you would be able to without them. They have risks as well, though, so it’s important to understand them thoroughly before you begin. Short sales are similar in that they can earn great rewards, but have to be handled carefully. This chapter will explain what these tools can do, and how to use them safely and profitably.
-Margins and Margin Calls

Opening a Margin Account gives you the ability to purchase investments with some of your own money, and some cash loaned from your broker. The assets (stocks or liquid) that you already own are the collateral for this loan. If this collateral level falls below the minimum requirements, you’ll be issued a Margin Call. This means you’ll be required to add cash to your account immediately or to sell off stocks at the current market value, which may not be at the level you’d like it to be when you sell. This means that it’s critical to maintain control of the amount of margin buying you’re doing so that you aren’t forced to sell at less-than-desirable times.

In combination with leverage, buying on margin can increase your buying power extensively. Typically you’ll get up to 50% of the value of the securities you’re buying on margin. Combined with an aggressive leverage of 0.25%, for example, you could connect these tools to use an initial investment of $1500 to equal $800,000 of buying power. Assuming everything goes your way, this is a thrilling and lucrative chance to take. But you can’t believe all of your bets will pan out, and if they don’t remember you’ll have to fund those accounts back up to the minimum with your wealth or other sources.
-Short Selling

Just like your broker can loan you cash to buy shares, it can also buy shares to lend you. A lot of new investors think it’s a complicated process, but it’s just as simple as a loan. The main difference is that instead of borrowing and paying back your mortgage in cash, you’re doing it in shares. Since shares fluctuate in value, you can use this to your advantage by borrowing shares worth a lot and pay them back with shares worthless, pocket the difference. Let’s use Stock X as our example again:

While researching Company X to see if you wanted to buy stock in it, you’ve come across some information that leads you to believe the stock will be dropping sharply very soon. The stock is currently trading at $20 a share, so you place an order to Sell Short 100 shares. Your broker borrows the shares from you, and you immediately sell them. This gives you an extra $2000 worth of cash in your account. If you were right about the share price dropping, once it does you’ll be able to replace those 100 shares at a discount, say $10 per share. Now you’re ready to pay your broker back their dividends with $1000 worth of stock, and you get to keep the difference. In this example, you’ve made a 100% profit short selling Stock X.

Unfortunately, it doesn’t always work out that your guesses about the stock’s movement will be correct. If the high inventory increased instead of dropping, say rising to $22 per share when your loan became due, you’d have to spend
$2200 to replace the stocks and repay your broker. Now you’re down $200 on the whole transaction.

Even with the inherent risks, short selling is a crucial skill for any trader. When you have useful information and get used to making right predictions, there are few better ways to turn a quick profit. It’s worth practicing and getting a feel for the movement of markets that affect short sales.

**Risk and Diversification**

It seems intuitive: if you drop a basket, you’re better off not having all of your eggs in it. And it is intuitive, but there is nuance as well. How much diversification do you need? What types of diversification will suit your goals? This chapter will explain how to answer those questions.

- **Investment Style Determines Risk**

All of the hard work you put into defining your investment style earlier in this book will pay off here. Let’s take a look at three different investors with different methods to see how those techniques have affected the amount of risk inherent in their investments.

Jane has been a small business owner for more than 40 years and is hoping to retire in 5 years. Her business has been profitable enough to pay for her everyday expenditures, so she has been reinvesting all of her dividends. Her stock portfolio is
designed to provide for her retirement, which she wants to kick off with a grand European vacation. Because she has a bright timeline for when she’ll begin selling off assets to use the cash, she’s been a conservative investor. This is because she knows she has a “hard out” for a good bit of her assets, and if the market is at a low point, she doesn’t have the luxury of waiting it out until they rebound. She’s chosen low-risk/low-reward reward strategy. She holds quite a bit of preferred stock, some blue chip stocks, and mutual funds. Within each of these categories, she has invested across industries and in many different stocks within those sectors. This means she is very well protected against any loss.

Susan is a young real estate agent who began investing last year. She knows she’ll have money in the market for a long time, but she’s not happy to just let time do all the work of growing her fortune. She plans to start her real estate firm as soon as she is able, so she’s quite aggressive in her investment strategy. Her retirement is partially taken care of through an IRA and funds matched from her current firm, so her primary investment goal is to accumulate as much as possible in as short a time as she can. She holds some mutual funds but mostly buys growth stock, income stock, and ETFs. She trades these frequently, and since she has an extensive knowledge of the markets and her industry, in particular, she invests in real estate quite heavily. She’s vulnerable to a lot of risks, but
because of her position, goals, and expertise, she’s comfortable with that.

Erin is a freelance consultant, so no one is paying for any part of her retirement but her. She has enough money to live on, but saving for the future is a struggle at times. She’s decided to invest in the stock market to provide for her when she retires. Luckily, she is in her early 20s and has plenty of time to let her wealth accumulate. She’d like to withdraw by 55, but if the market is low and she has to wait another few years, that’s okay too. This allows her to build a medium risk portfolio. Because she doesn’t have a lot of cash to start with, she buys mostly income stocks. She doesn’t intend to take the high dividends out of the stock market, though; she plans to reinvest them. She has some vulnerability because she’s not invested in any funds or very-low-risk assets, but she is prepared to ride out the ups and downs of the market. All of these investors have a risk in their portfolios, but they’re comfortable with it because their assets reflect their needs and they have diversified in the correct amounts and directions. Let’s look at what that diversification seems like.
Common Pitfalls

-Emotions Can Get The Best Of You

Let’s say you bought two stocks, Stock X and Stock Y. In the first quarter, Stock X performs admirably, rising 25%. Stock Y drops 15%. Your instinct might be to sell Stock X, cashing out that gain and buying more stock, while leaving Stock Y in place to see if it rebounds. That is precisely what most new investors do, but it isn’t a decision made by logic and evidence, it’s an emotional reaction. You want your choice to buy Stock Y to be a good one, so you give it the time it hasn’t earned in the hopes that it proves you right. What’s more likely, statistically, is that a falling stock will continue to fall, especially if it’s already dropped 15%. Cutting your losses and reinvesting the money that’s left is much more likely to be the most profitable strategy in the long run.

When making decisions about when to sell, ask yourself, “Is this based on pride or regret avoidance?” Be honest with yourself, and make sure your decisions are based on facts.

-Bubbles, Panics, and Rushes

After the dot-com bubble burst, just the phrase “bubble” was enough to make any trader nervous. The truth is, though, that bubbles and manias happen all the time and if you know how
long to stay in an expanding industry and are attuned to signs of trouble, you can get out before the bubble bursts and make a tidy profit. The key here is to make sure you follow your own rules, even in an exciting and emotionally charged environment. An old maxim that holds true here is, “if it looks too good to be true, it probably is.” While there are times that certain stocks increase in value, it is implausible that a meteoric rise that isn’t underpinned by real, verifiable reasons is likely to last. When a stock looks “hot”, and everyone seems to be talking about it, find out why it’s so hot. If you can’t get a clear, definitive answer, stay away from it.

-Day Trading

Day Trading is a very profitable business for some but can be devastating for investors who aren't’ prepared with the specific skills it requires and high-pressure environment it creates. If you want to try your hand as a day trader, you’ll be up against experts who have access to mountains of information and steady hands honed by years of practice. This is not to warn you off this path, but to ensure that if this is a route, you plan to go down you’re prepared for success.

The brokerage fees accrued with this many trades add up, and you have to make a lot of successful trades to offset them. Make sure to factor these in when deciding whether day trades are for you.
Pump and Dump Schemes

So-called “Penny Stocks,” stocks that are priced at just a few cents per share can seem tempting, but frequently the reason they’re priced so low is that they are worthless. Criminal shareholders in these stocks will run manipulative schemes where they plant fake “press releases” predicting the wild success of these companies, inducing unsuspecting traders to buy in in large numbers. Once that happens, the share price rises, and then the shareholders sell off thousands of their shares, and then when the fake success never materializes, the investors who bought in are left holding the bag.

Different Types of Risk in futures

I was at home and night, and I noticed the Nikkei was down like 2%, and I thought that is oversold, so I went to my account and bought a 1-lot future not having any idea how much risk that even was. I had about $100,000 in my trading account at that time. I left to play with my dog and then noticed that my P&L said I was down $24,000. I freaked out because the market did not move much, but the fact was I was trading a product that I did not know the risk. I then called James Ramelli, my right-hand man and asked him about it. I was freaking out, and he later explained it was in Yen terms, so it was only about $60. The moral of the story is no matter what the product is, make sure that you always understand your risk in what you are trading.
For futures, oil is a BEAST it is $1,000 one lot in a $1 move, that’s some significant boy trading when S&P 500 Futures Minis are only $50 per 1 point move. For more information on risk and margin requirements, please visit:

www.cme.com

Stocks also have a HUGE risk even if you put stop losses in them because they can gap overnight. Shares are only open from 6 am until 8 pm central. There have been many times when a stock has gapped overnight up or down, and no stop loss can protect you from that. So understand that stocks can be risky as well even with the proper stop losses in place. I want to move back to my bread and butter: equity options.

There are so many factors that involve in the options market. We know these are time decay, delta, gamma, implied volatility, dividends, and interest rate risk. I want to explore something a little bit more. I tell all my subscribers that anyone can trade weekly options or earnings, but the understanding risk is significant. A trade that has $500 in jeopardy of the weekly options is MUCH more risky than a deal that has $500 of risk and has six months left. As traders, we have to understand our chance, and I won't dig into this a little bit more.

I trade three main strategies: Earnings, the Ichimoku Cloud, and Unusual Options Activity.

I have a cardinal rule that I will almost always sell all of my options I am long the day before any stock has earnings.
Unusual Options Activity works excellent, but I think it is more of a crapshoot for profits so this is a rule that I have adopted. If I want to take a trade for earnings, it will be spread, and I will have less risk on this deal. That is one general rule for risk. Let’s explore the other main one:

On the trading floor, we had something called “DTE,” which meant days until expiration. That tells me how many days are left until the option expires. We all know that weekly options have the highest gamma, theta, and also represents the highest risk and highest reward. After that, the front-month options pose the next most senior risk and reward and chronologically through the expirations. We need to realize this danger.

AAPL is trading $115 and does NOT have earnings

I buy 50 AAPL Weekly 120 Calls for $.20 (Delta: 20, Gamma: 10, Theta: 5) ($1000 of Risk)
I buy 10 AAPL Front Month 120 Calls for $1.00 (Delta: 25, Gamma: 5, Theta: 2) ($1000 of Risk)
I buy 2 AAPL Jan Leaps 120 Calls for $5.00 (Delta: 30, Gamma: 1, Theta: 0)

Let’s say that AAPL opens up the next day up $1 and the implied volatility on ALL these options remain the same. What is the profitability of these options?

50 AAPL Weekly 120 Calls for $.20: Delta plus Gamma minus Theta:
These Options have gone from $.20 to $.45 and $1250 Profits
10 AAPL Front Month 120 Calls for $1.00 Delta plus Gamma minus Theta:
These Options have gone from $1.00 to $1.28 and $280 Profits
2 AAPL Jan Leaps 120 Calls for $5.00 Delta plus Gamma minus Theta:
These Options have gone from $5.00 to $5.31 and $62 Profits
This shows us that the weekly options will give us the highest reward on our money, but they also will have the highest risk.
We talked about DTE, and we should look and what if AAPL does NOT move at all overnight.
50 AAPL Weekly 120 Calls for $.20 will lose $.05 or $250.
10 AAPL Front Month 120 Calls for $1.00 will lose $.02 or $20 total
2 AAPL Jan Leaps 120 Calls for $5.00 will not move at all
With the positives, there are always going to be negatives.
Trading weekly options and trading earnings are fine for any trader, but understanding the risk involved is so important, and this is why I put together a little guide that can help you with your risk:
With $100,000 in my account I am willing to risk:
The Risk Parameters are equal (roughly)
Weekly Options: $500 of Risk
Option with 2 Weeks left: $1000 of Risk
Option with 3 Weeks left: $1250 of Risk
Option with 4 Weeks left: $1500 of Risk
Second Month out Option: $3000 of Risk
Six Month out Option: $5,000 of Risk
PART 3: TAKING A PRACTICAL APPROACH TO OPTION TRADING

Chapter 17: U.S. Government Required Risk Disclosure

Stocks, Futures, and Options trading has substantial potential rewards, but also substantial potential risk. You must be aware of the risks and be willing to accept them to invest in the markets. Our presentation is neither a solicitation nor an offer to Buy/Sell stocks, futures or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those presented in our webinar. The past performance of any trading system or methodology is not necessarily indicative of future results. There are certain limitations to the Black-Scholes option pricing model used for some examples herein.

Important:

Read this book in conjunction with my book, Stock Options – Work ½ Hour A Day. This book provides the reasoning, method, and practical application of my best strategies. In this
book, we are assuming that the reader is familiar with the following terms:

- Call and put options
- Strike price
- Option premium
- Expiration date
- Settlement date
- Exercise of options
- In-the-money (ITM), At-the-money (ATM), and out-of-the-money (OTM) options
- Premium
- Volatility
- Option volume and open interest
- Options time value
Chapter 18: My Research Report

Over the past 8 years I have created a research report documenting my success rate of over 94% in monthly options trades. I’ve even filed for a patent with the U.S. Patent office every year since first conceptualizing this report. I wrote about my experiences in the book Stock Options – Work ½ Hour A Day but there was something I didn’t know at the time of writing the book.

When is the best time to trade options? I began researching fat, bull, and bear markets from 2009 till 2015. I discovered that if you enter the trades on a particular day of every month of the year and within certain parameters, you get a success rate of over 90%. My research report provides every month of every year and the settings.

The logic is elementary, do the opposite of what 98% of the world does. The Chicago Mercantile Exchange (CME)-the world’s leading exchange, released a research report showing that 76% of all options expire without any value. In other words, the majority of people who buy options, end up losing money. How to educate people about the above fact has been a burning desire of mine for years. This point is mostly ignored by the majority. It is mere to do exactly opposite to what majority of the people do, and you will be successful.
The information in this report is proprietary and reveals the secrets to my success in options trading. Such success that has allowed me to be 100% successful in every monthly trade recommended in the year of 2017. I’ve traded over $100,000,000 in a single month in my account, and this is not the first year that I’ve been 100% accurate in my recommendations.

After many years of withholding these findings, I’ve decided to share my strategy and research with the world and allow traders a chance to study the success in depth to be able to replicate it themselves rather than depend on my recommendations.

The proof and logic behind the above success rate have been provided in 200 pages of the research report. However, the complete process to pick the trading day, stocks and strike prices can be done in under a minute by a software program. The simple one-page instructions can be quickly followed by an average person with or without any knowledge of options or computers.
I had already done thousands of hours of testing and back-testing with my own money before I finally presented this simple strategy on one sheet of paper.

It is an entirely mechanical process which does not involve any technical/ fundamental analysis or any thinking on your part. The software picks up the options on a pre-decided date of every month, and they expire on the 3rd Friday of every month.

My system assumes that the market is going to move against you and slices the risk down to a microscopic level. This gives you a chance to make money over 90% of the time. The following is the summary of the research report.

DISCLAIMER: The results mentioned have been calculated on the assumption that we enter trades at the closing prices of the previous day and exit at the closing prices of the day the trades expire. The actual results may thus vary depending upon the available volume and prices on an opening day. Net returns are worked on an assumption of 20% margin requirements and 20% additional concession for market fluctuations & brokerage commissions. Past results are not indicative of future performance of any trade. It should not be assumed that recent execution of any strategy will be profitable in future. Results obtained by our testimonials are not typical. Results may vary depending upon individuals’ experience and market conditions which are beyond anyone’s control. We don’t guarantee success.
<table>
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<th>YEAR</th>
<th>#SUCCESSFUL TRADES</th>
<th>#TOTAL TRADES</th>
<th>%SUCCESSFUL TRADES</th>
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<td>372</td>
<td>381</td>
<td>97%</td>
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<tr>
<td>2011</td>
<td>100</td>
<td>101</td>
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<td>2012</td>
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<td>2014</td>
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<td>39</td>
<td>95%</td>
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<td>2015</td>
<td>56</td>
<td>57</td>
<td>99%</td>
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<tr>
<td>2016</td>
<td>50</td>
<td>53</td>
<td>94%</td>
</tr>
</tbody>
</table>

As seen in the chart above, our strategy beats S&P 500 Index every year. We did not have a single losing year for six years consistently. I discovered this approach after trading $100 million in my account. Even in the year 2009, when S&P 500 Index lost 42%, we gained 279%. Our confidence is reflected in our guarantee.

Your full monthly/annual fee will be refunded in full if you lose money in any 2 or more monthly trades in any single month based on our recommendations. We will even compensate you up to $1,000 for your loss in equity.
I am seeking certain individuals worthy enough of this compelling information along with the willingness to put it to good use. If you believe you fit this description, agree with all that has been discussed thus far in the book, and want your opportunity to ultimate success in options trading, email us at Research@StockMarketExpert.com to learn more about how you can receive my fully documented eight years of successful research report.
Chapter 19: Is Trading Options Safer Than Trading Stocks?

Trading in options provides many benefits to both parties of an options trade. The buyer gets the right to buy or sell shares at a set price on a predetermined day. The seller has the potential benefit of generating income through the receipt of the option premium. It is pretty clear that trading in options is more complicated and requires closer observation compared to trading stocks. However, the amount of risk can be managed better by both parties involved in an options trade, allowing them to maximize their profits or to minimize their losses.

Not every stock has options that are traded on the exchanges. Opportunities are available in vast, well-established companies. There may be some exceptions, allowing a few smaller companies to have options sold on them, but in general, the following criteria must be met to qualify as an option-able stock:

- The company stock shall be listed on an exchange
- The shareholder count shall exceed 2,000
- The company shall have over seven million publicly held shares

In spite of the educational efforts of the transactions, there is still a misconception among investors that options trading is
one of the riskier investments and suitable only for the most experienced speculator. Although options do have significant risk, a wise and disciplined investor may profit from options trading irrespective of the market price of the underlying stock going up, down or sideways. Success depends upon the ability of the trader to use the proper tools and analysis.

Traders enter into options trading to achieve any or all of the following objectives:

- To increase return on their investment portfolio
- To get protection if the market goes against their expectations
- To buy or sell stock at a predetermined price at a later date
- To maximize returns irrespective of the market being bullish or bearish

There are several additional reasons why traders are attracted to options trading:

1. Requires relatively small start-up capital

Trading in options requires a limited initial investment as compared to selling in stocks where the full value of the shares must be purchased. A trader can maximize profits or minimize losses by trading in options because they require only the cost of the premium and not the full cost of the share price. One can
have numerous option positions with the same amount of funds that would only secure one stock position.

2. Leverage

If you calculate the percentage of returns coming from a thriving option trade, you will find that it is much higher than the rate of profits generated from trading the actual stock. This is because the profits are created using between five and ten percent of the investment required for stock trading. However, one should be very careful about the potential losses if an options trade goes against expectations.

3. Hedging

Options trading allows investors to minimize their risk by adopting an appropriate strategy. Such an approach will be used as a hedge to reduce losses. It can act as insurance against an unexpected price fluctuation in the underlying stock.

4. Flexibility

By using different strategies, the options trader has the opportunity to generate higher percentage returns on the money invested. One can have the flexibility to apply such approach either to maximize profits or minimize losses.
5. Limited Risk

In many strategy, the risk is limited to the extent of premium paid when entering into a trade. While this is true for the buyer of the option, it is not right for the seller of the opportunity.

Though all of the above sounds quite good and may attract you to trade in options, the following are the drawbacks of options trading:

- Liquidity can be affected, depending on the strike price of the option you buy or sell.
- There will be the threat of time decay for the buyers of the options.
- The option positions need to be carefully monitored.

There is a misconception that buying stocks is a safe investment. Throughout the media, stocks are made out to be a sound and reliable financial investment when in actuality they may not be. Consider this: The stock market is 100% unpredictable and completely random. If we look at general statistics and the historical patterns of stocks, we see that at any given moment the stock has an equal chance of going up or down. Meaning that investing in stocks is statistically a 50/50 bet. With options, on the other hand, you know precisely what your probability of success is BEFORE you even make the trade.
Why do people choose to go into stocks rather than options? First, shares are easy to understand, at least the part where you make money. Profiting on stocks is one-dimensional: You buy low and sell high, a simple concept to grasp. Second, buying stocks is also relatively easy, whereas there is some complexity to trading options. Almost anyone can only go and purchase shares of stock, but acquiring options contracts would perplex an average individual. Third, you can buy and hold stocks for as long as you’d like, be it a few weeks or for many years—again, simple to understand. Conversely, options contracts depreciate over time, depending on the volatility of the underlying stock and the length of the contract.

So why trade options? For one thing, profiting on opportunities is not binary; that is, you could potentially benefit using options whether the stock goes up, down, or remains flat. This gives you the opportunity to benefit in three different ways with options as opposed to just one way—if the price goes up—with stocks. Second, trading options involve significantly less up-front capital, meaning you can control the same number of shares for much less money. And third, with options we know our probability of profit and potential loss before we even make the trade, making trading options considerably safer than trading stocks. With options, we know exactly how likely we are to profit from a business and even how much we could potentially profit from that business on order entry.
Indeed, options trading can be much safer than trading stocks if it be done correctly. Let us imagine a stock is trading at $50, and you sell a put on it at the strike price of $25. If you bought the stock instead, it would have to go above $50 for you to make money. But using options, the stock has merely to remain above $25 for you to make money.

Most people go long on stocks and don’t short them. Shorting is too risky because a share can go much higher than expected and you may end up buying back the stock at a considerable loss. So when you buy shares, you make money only when the stock goes up. But with options, you can make money whether the stock goes up, goes down or remains flat.

Simply put, trading options gives you more chances to win than trading stocks—three chances to one.
**Should You Buy Options?**

If there is one obvious way that most people lose money in options trading, it is through the buying of options (as opposed to selling them). This is true whether they are buying call or put options. A study by the Chicago Mercantile Exchange (CME) confirmed this. The CME study found that 75% of all out-of-the-money options purchased by traders expired worthless. In other words, the option buyers lost money three out of four times.

That is why buying naked options is totally out of our system. When you buy options, you pay a time premium that ticks away with every day, meaning the value of your option is always naturally decreasing. Which means that even if the stock moves in your direction, most of the time your option will not increase in proportionate value, for it will be losing time premium along the way.

When you buy options, you’re paying a time premium that is built into the price and that is always decaying. This is why we buy options only as a hedge, that is, to provide some protection for other positions.

For call option buyers, maximum loss is limited to the initial premium paid, irrespective of what the stock price does, and profit potential is unlimited. For put option buyers, the maximum loss is likewise limited to the premium paid.
However, because a stock can only go as low as zero, the maximum profit is limited to the strike price multiplied by the number of shares in the contract (usually 100), multiplied by the name of deals, and minus the amount you spent to buy the option or options.

**Is Selling Options a Good Idea?**

Yes, we are entirely in favor of selling options (as opposed to buying them), because when you sell an opportunity, time works in your favor, not against you. This is one of the significant advantages to selling options rather than buying them. Every opportunity has two values. One is intrinsic value, and the other is time value. Even if the stock moves against your option position, the time value of that option position will erode every day. That eroding time value hurts the option buyer, but it benefits the option seller. The seller is gaining every day, even if the stock does not move at all.

Selling options, however, does theoretically have unlimited risk. When you buy options, your maximum loss is limited to the amount you paid for those opportunities. But the seller may be forced to buy back those possibilities for a much higher price than was paid for them—on the call side, theoretically to an infinite amount. But there are ways to control this theoretically unlimited risk, by using several strategies which will be discussed in the chapters to follow.
The seller of the option contract (the one who is obligated either to buy or sell stocks when the buyer exercises their right) tends to carry more significant risk. Assuming that you do not already own the stock for which you are selling a call, you take unlimited risk. This is because a share, in theory, can always trade higher. Therefore, if you sell a call that gets exercised, you would have to purchase the requisite number of shares in the open market at whatever the current share price is, and deliver them at the strike price. Your maximum profit is limited to the premium you take in when you sell options, but your maximum risk is much more significant. When selling calls, your maximum risk is unlimited. When selling puts, though it does carry less risk than selling calls, it stills gives more risk than buying puts. This is because a stock could go to zero, and if you sold a put against that stock, you would have to pay the strike price for worthless securities.

For all of the following strategies we discuss throughout the rest of the book when you’re selling an option, we recommend getting the bid price or higher; and when you are buying an opportunity, you should get the asking price or lower.
Chapter 20: All about Options Trading

In many ways, options are just like bonds or stocks, which means they are securities which can be traded with the hopes of making a profit based on the direction the asset related to the security moves. Options differ from both stocks and bonds in that when you purchase one; you are buying the ability to choose whether or not you want to interact with the relevant asset at a specific price point for a particular length of time. This means that if the market doesn’t behave as you expect it to, you can walk away while only losing a fraction of what you would if you had purchased the related asset directly. Despite whatever changes the housing market might experience between the point the contract is signed and the point the loan is approved, the price in question is locked in as long as the buyer chooses to act on it. This means they could get a terrific deal if the value of the home increases in the interim or they could walk away if the market suddenly drops the price significantly. Either way, the buyer is protected and has the option to what is right at the moment.

Putting options to work for you

Options are used in two main ways, as a form of speculation and as a form of insurance. Those who are interested in testing their knowledge of the market against its realities are typically interested in prediction which means they determine which direction the market is likely to move in a specified amount of
time and they make money through proper trades if they are correct. Due to the specifics of options trading, as discussed below, it only takes a small change in any related asset prices to create massive losses or huge gains depending.

If speculation is the risky side of options trading, then using it to ensure that other, more dangerous, investments don’t lead to significant losses is as safe as can ever be expected. If you are worried about the price of an asset that you own decreasing rapidly shortly, then to use options as a form of insurance, you just create an opportunity to sell the related asset at a fair price and then set it to expire after the uncertainty is past. This way if the bottom drops out of your asset you already have a guaranteed sale at a price that seemed fair when things were still moving along correctly.

**Trading expectations debunked**

Trading options effectively are all about controlling your emotions at all times to ensure that you are trading based on the facts, not your feelings. A large part of this process will be made more accessible if you head into your early trades with the right mindset and expectations about what is to come. This means coming to terms with the fact that options trading isn’t an easy way to get rich quick and instead requires lots of studying, plenty of hard work, a firm timeline and a little luck. Early on you may also find it useful to keep an emotional log of your trades including the emotions you were feeling during
each. While it may seem cumbersome, taking the time to catalog your feelings can help you keep an even emotional keel when things get rough.

Trading options successfully are all about coming up with a plan that is reliable and sticking with it, even when your emotions are running high and telling you to try some sporadic at the moment instead. As such, it can be difficult for new options traders to understand that a successful plan isn’t satisfied 100 percent of the time or even 90 percent of the time. A good program is one you can rely on around 60 percent of the time which means that if you trade smart, you are always guaranteed to make a profit in the long term. It might not be a substantial profit, but sticking with the plan, even when it’s losing on occasion, is something you are going to have to get used to if you hope to find success in the options market.

Option categories

This book is primarily going to focus on stock options, though there are options for other assets that are traded as well, and regardless of the type of prospect in question, they can all be primarily categorized as either puts or calls. Orders to buy options are referred to as calls, while those that are to sell options are referred to as puts. If you put in a request, you are saying that you believe the related, or underlying, stock that the choice is related to is going to increase in value between now and the point the option expires. If you have ever bought stock
in your company based on a price per share you were offered, then you have exercised a call.

Puts, on the other hand, say that you are confident that the price of the underlying stock is going to decrease, which will allow you to make a profit based on the difference between your put price and the price of the stock at the expiration of your option. A put related to stock you own can also be used as a form of insurance, as described in chapter 5.

Additionally, both puts and calls can be either American or European option, though the location of origin isn’t what sets them apart. Instead, American options are those which can be used at any point before the predetermined expiration date. Meanwhile, European options are those that can only be used precisely at the moment they expire which makes them riskier unless you have an excellent idea of how the market is going to move and exactly how long it is going to take to get there. American and European options are both considered to be vanilla options, that is, those which are the most straightforward. Exotic options, on the other hand, can vary wildly based on numerous criteria and should not be considered until you are very comfortable with what vanilla trading entails.

Finally, all options, be they puts or calls, can be said to be either short or long. Quick options have an expiration date of
either minute, days or hours and extended opportunities are those that do not expire in either months or years. Quick options are better for day trading as it does not take much movement to be successful, while extended options are better when used as a type of investment strategy and can also be called LEAPS or extended equity anticipation security. Along with the options they trade, options traders can be classified as either holder, who buy options, or writers, who sell options. Additionally, holders and writers tend to focus on either call or puts to specialize in. As a general rule, holders are always in a stronger position of power because if they choose to act on an option, the writer who is selling the choice has to agree to market, even if it isn’t in their best interests to do so at that particular moment. Likewise, if holders see a plan not coming together, they can only walk away, virtually ensuring that they minimize their losses if nothing else.

**Strike Price** — The price of the underlying stock at the moment you purchase either a call or a put is referred to as the strike price.

**Exercise** — When the terms of your option become favorable enough that you are interested in acting on it when you exercise the opportunity to purchase or sell the underlying stock related to the alternative.
Trading out — If you are the writer on an option and the holder exercises it at a price that you feel it could do better than, then you can repurchase it from them and recreate the opportunity in hopes of getting a better deal. This is what is referred to as trading out, and it is the outcome for a vast majority of all options trades. Somewhere around 10 percent of all trades are exercised entirely, 50 percent are traded out, and the remained to expire uselessly.

Listed — Options that are traded on a national exchange are said to be contained. The benefits of listed options include that they are marked with expiration dates as well as strike prices so even new options traders can have a bright idea of what is going on. Listed vanilla options almost always include 100 shares of the underlying stock the choice is related to.

The money — The money is used in different contexts when it comes to options trading when it comes to discussing how an underlying stock is doing. An underlying stock is “in the money” if it is above the strike price at the moment, “out of the money” if it is currently below the strike price and “at the money” if it is currently sitting at the strike price.
Intrinsic value — If an underlying stock price is currently in the money, then the difference between the current price of the stock and the strike price can be considered its intrinsic value. Value is discussed in greater detail in chapter 2.

Time Value — Time value can easily be thought of as the amount of time left until the option in question expires. The higher the time value, the more the possibility is worth.

Volatility — The more significant the amount of evaporation an underlying stock has, the more likely it is to change between now and when any related options expire. The higher the time value, the higher the volatility, though a decreased time value will not necessarily diminish volatility with all underlying stocks.

Premium — The total amount of value that an option has including its relative level of volatility, time value, strike price, intrinsic value and underlying stock price.
Chapter 21: Basics of options trading.

Investment portfolio has expanded to include stocks, bonds, forex, and mutual funds. There is another portfolio through that strengthen some securities you will have at your disposal. This is known as the options. Options is an entirely new world of investment that differs with the ones mentioned above, and if you are a sophisticated investor who understands that investment is all about risks, then options trading is the perfect fit for you.

The terminologies involved in are very sophisticated. Hearing words like the call, put, strike price, expiration date, premium, derivatives, and others tend to get confusing. However, to have a deep understanding of the options trading, knowing what each of those words means is very important.

What are options?

An option is an agreement that an investor has to purchase or sell a stock (usually 100 shares of such stock per contract) at an agreed price before a specific date.

The most potent tool for options trading is its versatility. Options can interact with traditional assets like stock and bonds. They are flexible and allow you as the investor to be able to adapt to several market situations as they spring up.
When you have a contract for a stock, you have the right but not the obligation to do the following:
Buy or sell a share at a strike price before the expiration date.
Sell your shares to another interested investor.
Allow the contract to expire as that will free you from further financial obligations tied to the shares.
There are several options attached to using alternatives. You can use either to use speculative possibilities or be an extremely conservative investor as the system is flexible enough for you to do that. Options are for this reason considered as a means of expanding your investment horizons. The versatility of options trading, however, comes with specific risks and costs attached. They are sophisticated security that few understand and they are riskier than other investment portfolios. It is crucial to acknowledge the threat involved before as brokers will even give you a disclaimer agreement to sign attesting to that.
Options are part of derivatives; its group of securities. They are called derivatives because their value depends on the price of another asset. Derivatives are a class of investment portfolios (options, futures, forwards, swaps, etc.) that are known to be a hazardous and can crush an investor’s economy if not played correctly. It might change though just like mortgage securities were the risky ones after the crash of 2008.
Types of options.

There are two types of options.

Put option.

A put option is a contract that gives the owner the complete right but not an obligation to sell a certain agreed upon amount of an underlying security at a set price within a specified period. It is different from the call option that grants the holder a right to purchase shares.

Components of a ‘put option.’

The unique feature of a put option is that it the choice becomes more valuable when the price of its underlying stock reduces its stock price. It, however, loses its value the moment the same underlying stock appreciates and the expiration date approaches.

Time Decay

As the probability of a stock falling below its set strike price decreases so does the value of the put option on that stock. This scenario is called time decay. Time value is critical to a put option, and when it is lost, only the intrinsic value of the stock is left. The intrinsic value is determined by finding the difference between the predetermined strike price and the stock price.
Two put options have an intrinsic value of zero, the Out-of-the-money and at-the-money put options. The zero inherent value of these put options comes from the fact that there is no benefit accrued when exercising them. To prevent loss, investors would prefer to sell their stocks short of what the market is asking rather than using their out-of-the-money put option which will be much lower.

**Long Put Option**

Extended put option does not make it obligatory for an investor to take delivery or purchase share. When an investor acquires an extended put option, he will have the right to sell 100 shares of the stock at the fixed price. The sale can only occur before the expiration of the opportunity. The shares of a stock can also fall before the expiry date, and in which case, the investor might exercise the option. When this happens, the investor will purchase 100 of the shares at the fallen market price and sell it to the option’s writer at the initial market price. He will thus make 100x (initial price-fallen price) on the put option.

**Short Put Option**

The short put option, on the other hand, makes it obligatory for the investor to purchase the shares or make a delivery. The investor will have to be speculative about the prices of the shares not falling below a certain amount. The investor could decide to collect a premium by writing one put option with the stock at a set strike price. This will make the investor entitled
to 100 x the strike price. If the stock closes at a price above his speculated price, then he will be able to keep the premium accrued with the options due to expire and thus become worthless. If the stock, however, closes at a price that is below the speculated one, then the investor will have to purchase the shares in agreement with the earlier deal.

**Call option.**

The call option is the opposite of put option. The investor will have an agreement to buy the stock, bond, commodity or another instrument at an agreed price within a specific period. The investor is in no way obligated to purchase the shares though. The call option gives the investor the right to call in or buy an asset. The investor will profit by calling the opportunity when the said asset increases in price.

**How does call options work?**

A call option when acquired will give the investor the right to purchase 100 shares of the security at an agreed price valid till a specified date. This amount is called the strike price while the validity date is called the expiration date.

Let’s take this as an example. An investor who has a call option with a company XYZ will have the right to purchase 100 shares from the said company before January 31st, 2018. When the value of the company’s shares increases, the price for the call option will also increase and vice versa. The
investor can hold the contract until the validity date. He can choose to either sell the call options or take delivery of the 100 shares before the expiration date.

**Components of a Call Option**
Investors use call option for three primary purposes. It could be for income generation, tax management or for speculation.

**Tax Management option.**
This option is used when an investor wants to switch portfolios without buying or selling the security that comes with it. An investor who has shares might come into significant capital gain. Cashing in on it will trigger a massive tax. The best option for the investor at this point is to reduce the exposure of the stock’s security without actually selling the shares. Using the opportunity for tax management. The cost of the call option contract is the only cost that is attached to calling this opportunity.

**Income Generation option.**
Investors can generate income using what is called a covered call strategy. The investor will need to own an underlying stock while selling a call option simultaneously. If the investor cannot sell the call option, he can give someone the right to purchase his stock. The investor will then collect the opportunity with the hope of the choice becoming worthless when its validation date arrives.
The income generation option creates extra income for the investor with its only side effect being that it limits the profit potential of the stock if the prices increase exponentially.

**Speculation option.**

The investor will purchase a significant exposure to stock for a meager price. The speculation option is used solely with the potential of providing a very high gain if the stock eventually rises. If the expiration date reaches and the stock price is down, then the buyer will lose his entire investment.

The degree of risk attached to speculative options is much higher than any other options.

**Why use options?**

With the risks attached to using options, why then do investors still rush for it? There are some reasons why they do so. I could be for speculation, hedging, spreading, and creating synthetic positions and others. The initial amount paid for an option is smaller when compared with purchasing the actual stock.

The investor who has an option has time to see how the markets play out before making any commitment. Options lock in the price reducing the risk of investment since the investor isn’t obliged to buy. You can purchase shares from a company whose stock price you believe will go up for a lesser amount when that time comes.
Speculation allows you to predict whether a stock will rise and fall. Hedging reduces your risk and allows us to use options as our insurance policy in case things go south. Spreading combines both speculation and hedging and it has low implementation cost. An investor can use this strategy to make profits from markets that even have stable prices. Once you fully understand all these basics, then you are ready to move on and begin making money from options trading. When going into options trading, it is best to go informed.
Chapter 22: How to start making money by trading options.

Financial brokers give their potential options traders and in fact investors from all investment platforms a screen test. This is done to ascertain their level of experience if they fully understand the risks involved and their financial strength in handling the trade. The broker will assign you to an initial trading level (not more than level 4) based on the answers you provide from your quiz. Note that the questions asked will include your income, net worth, investment knowledge and your account size.

As an investor, it is critical that you find out as much as you can about your broker. What tools do they offer, their research methods and the guidance and support they provide to their clients that are just starting out as options investors?

**Steps to take to ensure successful options trading.**

There are three stages of trading options. The first step of options trading has already been explained in earlier chapters. Let us list them for reference purpose.

**Stage 1.**

Know what options are.
Understand that there are risks attached to options trading.
Read books to help you understand options trading (You are reading one right now). Know and understand the types of options available. Know the terminologies involved in the trade. You have known the first five steps. It is now time to look at the remaining levels and learn how they will help you achieve success in options trading.

**Stage 2.**

Get a good broker and open a brokerage account: This is the first real step that you will need to take before trading options. It is necessary to open a brokerage account to enable you to transact either online or with a broker. Have an in-depth knowledge of your brokers, their competition, and their commissions and learn from other people’s mistakes. All these culminated will help you make an informed decision.

Decide between a cash account and a margin account. Know the various payment options available to you, and if they have third-party payment systems like PayPal, Skrill, Bitcoin or Payoneer, then it is an excellent platform.

Options approval: Before you embark on any options trading, get approval from your broker. This is very important as each brokerage agency has its limits and regulations to ensure that the client doesn’t trade blindly. The organization will also let you know the risks involved so that you will know exactly what you are walking into.
Understand the analysis Involved in options trading: Learn the technical analysis that is involved in trading options. The first thing to be aware of is that they are short-term investments and you will have to search for prices of security options that will fetch you a good profit shortly.

Know terms like resistance and support level. The support level is the point which the price of your stock will rarely fall below while the resistance is the point which it hardly goes above. This will help you limit your order.

Volume is significant as a stock having a high capacity behind it is an indication of profit. Note the patterns of your chosen stock or commodity as it will tell you where the prices of your options are heading. Another important analysis to note is moving averages. A moving average of let’s say 20 days is much more than that of 5 days.

**Stage 3.**

Start learning by trading with paper trading. Delving indirect with your money is a significant risk. Practice what you have just learned on paper and when you returns begin to improve, then you can start preparing to trade with your cash. Activate limit orders: For beginners, using limit orders is very important. Limit orders are the set price at which options will be liquidated if the prices go below or above that. The limit orders when set will help you reduce the risks attached.
Improve strategy along the way: Don’t just sit back and relax. Look for ways to improve your return. Learn from the mistake of others as well as yours. Keep your trading positions few. Diversifying them will just increase your risk level. Learn more about other strategies: once your trades have started becoming successful, then it’s time to learn and apply different strategies. You can efficiently look into plans like ‘straddle’ and ‘strip’ as they are all designed to help improve your returns if you know how to use them.

**How do options work?**

Options work as the probability for the future price of a stock or a commodity. It is essential to understand that the higher the likelihood of a financial event happening, the more expensive the options from it will be and the higher the profit for the options trader, once you understand this, then you are ready to start making money from options trading.

To understand how it works, we will take an example. An investor decides to purchase options for a company XYZ international that has a strike price set at $500. Their stock is, however, trading currently at $300 with an expiration date of 3 months. The call option you acquired will give you the right to purchase the share of XYZ at $500 at any point in time before the three months elapses. If within that period, the prices of their stocks go up above $500, then you will profit from it. The lesser the expiration date of an option, the less costly it is.
Therefore an option that expires in 6 months will be more expensive than an option that expires in 3 months. This is because the probability of the prices changing is higher within six months than three months.

If the prices of the shares that sells at $300 rise even closer to $500, then the chances of you winning are higher. As the rate of your asset rise so does the amount of your call option premium. If the amount of the asset goes down, then so does your call option.

According to the CBOE data released, investors exercise approximately 10% of their options, 30% of them are allowed to expire and become worthless while the remaining 60% are traded. This is because the majority of the holders prefer to sell their options while the writers re-purchase their positions to close.
Chapter 23: Beginners guide to trading strategies involved in options trading

Options are derivative portfolios and an agreement between an investor (holder) and a seller (writer) that will give the buyer the right but not the obligation to purchase or sell a security at an agreed price before the expiry date. The holder will have to pay a premium to the writers to acquire such rights. If the market turns out to be favorable for the holder, he can decide to cash out on the options and profits from it, if it turns out bad, then the holder will allow the options to expire worthlessly, and this will reduce losses accrued in comparison to buying the real stock.

There are two options available: call and "put options. The call option gives the holder the right but not the obligation to purchase an asset in the future for a predetermined price. That price is regarded as the strike price. A put option, on the other hand, gives the holder similar rights but in this case, it is to sell the security in the future for an agreed price.

**Beginner Strategies to Try**

Purchasing calls: Long Calls

This option is excellent for investors who:

Are loyal to one index or stock and are not willing to take further risks with their capital.

Prefer to take leverage profit.
Options allow the investor or trader to exponentially increase their profit by risking smaller amount that would be required if they had traded in the stock itself. The standard options equivalent for singles is set at 100 equity shares. By deciding to purchase in options, an investor has taken advantage of leverage options.

Assuming an investor wants to invest in Samsung and budgeted around $4000 for that with Samsung trading at $150 per share. With that amount, the investor can purchase 26 shares worth $3900. If the price of the stock appreciated by 20% to $180 over the next two months, the investor’s portfolio would automatically increase to $5220 with the investor with a gain of $1320. That is an increment of 20% on the initial capital invested through brokerage, commission or transaction fees were ignored.

Going back to that same amount budgeted, the investor can purchase five options worth $3988.50. The agreement for the options is 100 Samsung shares. Therefore the investor is effectively entering a contract worth 500 Samsung shares. Still referencing the above example, if the price of the stock closes at $180 on its expiration date, the investor’s payoff from the option level will be:

\[ 500 \times (180 - 150) = 15,000 \]

The net profit of this option will be $15,000 - $3988.5 = $11,012 or a 276% return on the initial investment. The returns from
options trading are much higher than that of the underlying stock.

The risk associated with this strategy: The investor’s loss from a long call when it occurs is limited to the premium used in purchasing the right. The profit potential is unlimited thus the payoff will increase so long as the stock price increases.

Purchasing puts: Long Puts
Trading this option is best for investors who:
Have an underlying return but aren’t keen on taking the risk of a short sell strategy.

Will love to take advantage of an options leverage position.
A put option will give the trader a profit from the options position if the prices of the underlying asset fall. If the amount however increases, the investor or trader will only lose the premium paid.
The risk associated: The loss from this strategy will only be the premium paid to acquire the rights to the options.

**Covered call**

Covered call options will be best for traders who:
Anticipated no increase or decrease in the price of the underlying asset.
Wish to limit upside potential in exchange for limited downside protection.
This strategy is composed of two parts: The call option will be a short position while the long position will be for the underlying asset. The long position acquired will make sure that the short call writer ultimately delivers the agreed price should be the investor exercise the call option later on. When a call option is an out-of-the-money option, the investor will receive a small token of premium thus permitting limited upside potential. The received premium will serve as a cover for the potential downside losses even though it doesn’t cover it all. This strategy can be said to be an replica of short put option

Let’s see how it works:
If an investor utilizes $40,000 to purchase 1000 shares of XY at $40 per share on April 15th, 2017 and then writes the call option at $55 (cost of $0.35) due to expire August 10th 2017. The total net profit from this options strategy will be (40 x 1000-0.35 x 1000) = $39,650. This implies that the total expenditure of the investment is reduced by the premium of $350 received from the position of the short call option. The strategy explained from the above example indicates that the investor doesn’t expect the price to go beyond $55 or below $40 during the stipulated three month period. The risk associated: If by chance the price of the share increases above the stipulated $55 at the time of expiration, the short call option will be exercised on the underlying asset, and the investor will deliver the stock, thus losing the portfolio
entirely. If it also crashes below the predicted $40, the option will be worthless at the time of expiry. The stock portfolio will also be hit as the value will drop drastically, only a small amount will be left (usually equal to the premium amount) as compensation.

**Protective put**

Traders who will prefer this position are those who possess underlying assets and will like downside protection for it. This strategy also has two working components: an extended position in the underlying asset and an extended put option position. If the price of the stock increases at the point of expiry, then the option will expire worthlessly and the investor will lose the premium paid but will still have the profit of the price that has increased. However, if the cost of the underlying asset falls at the point of expiry, then the investor’s option loses its value through this loss is covered by the put option that is being exercised under the circumstances.

The protective position of this option is like an insurance strategy such that the investor doesn’t lose. It is worthy to note that the cost of protection for this option strategy increases as the level increases.

The risk associated: the potential loss for this option strategy when the price falls is limited to only the difference between
the initial underlying price and the strike price added to the premium paid to acquire the option.

While getting started actively trading options on a regular basis often feels like nothing but processing new information continuously, there are some fundamental strategies you can try to focus your initial foray in options trading in the most productive way possible. When used correctly, the following policy will make it easier to improve your rate of return while decreasing your relative risk at the same time.

**Buy-write strategy:**

Also known as a covered call, this procedure involves buying a specific underlying stock and, while doing so, also create a request equal to the number of shares of stock you hold. This is a good option for those who have already invested in the short term and aren’t thinking much about the underlying asset one way or another because you can still generate a premium, at the very least. This is also an excellent way to protect a long-term stock investment as the call will ensure a sale at a favorable price regardless. The buy-write strategy is thus grand for index futures, LEAPS and for use with funds that are bought and traded on a margin.

As an example, if you purchased one option’s worth of shares of an individual company that was worth $38 each before selling calls at $40 for the cost of $1 per request then you
would automatically be assured $100 profits before any movement occurs. This radically drops the loss of each share to just $47 which means that if the calls expire and the underlying stock is going for $40 or lower then they will not be sold and you will still collect the premium.

**Protective Puts:**

In a protective put strategy, you start by buying a number of underlying stock shares in a multiple of 100 and then creating a put, or multiple puts for the same number of shares. This is always a good strategy if you are confident you should be bullish when it comes to the stock price and are keen to minimize losses in the short term. A protective put will create a floor for the cost of the stock in question in case of an impending massive decrease in amount. This is another way to minimize market uncertainty, and while not always the right choice, in certain circumstances it can be extremely beneficial to pursue.

As an example, if you purchase one option worth of shares of underlying stock at $20 each and then generate a put for $17.50 each at the cost of $0.50 then you create a total of $50 and ensure you have insurance on your shares to boot.

Regardless of what strategies you are comfortable using, it is essential to go into every possible transaction only once you have a bright idea of just what the risk in question is going to be. It is important to factor the right level of risk into every
trade, especially when you are first beginning your time as an options trader. Protective puts are usually a lower risk than puts on their own which makes them a great, low-risk place to start trading when putting the theory to practice for the first time. As an bonus they help to ensure you always have available shares if an option is exercised earlier than you would have liked.

**Spread (Bull Call):**

When using a bull call spread it is important to start by first purchasing a call at a strike price that you like based on current factors, while at the same time selling some calls at an amount more significant than the initial strike price. Both of the calls should be connected to the same underlying stock and have the same point of expiration. This is an excellent strategy to use if you have done your research and believe that a bullish approach is an appropriate move forward as you feel a price increase is coming soon.

This spread can be considered what is known as a vertical credit spread, that is, it has two options which are known as legs with one leg naturally being long and the other being short. Spread options that are sold close to the money can be considered what is called a credit spread. Credit spreads generate a net profit that takes the decaying time value into account. On the other hand, a debit spread occurs when the shorter of the two options are out of the money.
As an example, if you take note of an underlying stock that is currently going for $37.50 a share and is expected by experts to jump as high as $49 in the front month then you would want to purchase five calls for $38 that are going for $1 each with a 30-day expiration. Likewise, you will want to sell five calls at $39 for $0.50 a call that expires at the same time. This means you would generate $500 in premiums for the $1 shares and pay $250 for the $0.50 shares, which means you will ultimately stand to make $250 before the commission is factored into the exchange.

**Spread (Bear Put):**

This is another type of vertical credit spreads that is useful when the bull call spread isn’t the right choice. For this range you need a pair of puts with the same underlying stock and the same time frame. You buy the first at a favorable strike price and then sell the second at a lower price point. This is an excellent strategy to implement if the market has you feeling bearish and you are looking for a way to minimize your losses. This type of spread is ineffective in some instances because it decreases the overall level of profits you can see, due to the difference between the varying strike prices after all commissions have been factored into the equation.

A bear put spread is at its most effective when you use it with the plan of short selling the underlying stock or if traditional put options don’t make sense given on the current market. If
you believe that prices are going to take a downward spiral, this is the spread to use if you don’t want to bet heavily on the decline and are instead hoping for the best in a dangerous situation.

**Collar:**

This options trading strategy is used when you find yourself with shares of an underlying stock in an extended position, and you have seen substantial gains from it in the recent past. This strategy then allows you to capitalize on the benefits while at the same time ensuring you still have an opportunity to see additional profits as well. To create a collar of protection, the first thing you want to do is to purchase a put which is currently out of the money while simultaneously writing another call that is out of the money that has the same underlying stock.

Creating a successful collar is useful if you are interested in protecting yourself when it comes to specific loses as you generate the put to ensure you hold a healthy amount of profit. From there you fund the protection by causing the call, thus creating enough profit to ensure you aren’t paying much, if anything, for the protection you are now benefiting from. This strategy can also help negate rare instances of double taxation by allowing the option to continue to roll over until it becomes an inheritance at which point it will no longer be taxed in the same way.
**Straddle (Long and Short):**

The long straddle strategy is used most efficiently when you know an individual underlying stock is going to move and move significantly but are otherwise unsure which direction it is going to step in. To create a straddle, you merely create a put and a call that have the strike price, underlying stock and expiration date in common. This way you are sure to make a profit, and the only thing you are out is the fees related to the now useless option.

Short straddles, on the other hand, involves many of the same specifics except you are instead selling a call and a put for the same amount. This will allow you to guarantee that you will generate a premium if nothing else. As such, it is a great option to employ if you don’t believe the market is going to be moving much between now and when your options expire. Use it carefully, however, as the amount of the premium will only decrease as market volatility increases.

**Strangle (Long):**

The best time to consider a strangle is when you believe that the price of the underlying stock is going to move, but you aren’t sure how much movement there is going to be overall. To capitalize on this knowledge, you want to purchase both a put as well as a call that are both related to the underlying stock and have the same expiration date but with different strike
prices. The put strike price will need to be less than that of the call, and both should not be placed in the money.

A strangle often seen as a cheaper alternative to a straddle as the options you are purchasing are going to be much less expensive because of the decreased likelihood of their paying out in traditional circumstances. This means you will be able to pick them up for up to half of what the same straddle prices would cost. When comparing a short straddle to a long strangle, the long strangle often offers up as much as twice the potential for a premium while negligibly increasing the related risks which makes it worth considering when a short straddle is on the table.

**Spread (Butterfly):**
While all of the proceeding strategies have required pairs of options or specific positions, the butterfly spread takes things to another level by combining the bear and bull spread strategies to generate three different strike prices. To clarify, you start by purchasing a call as cheaply as you can while simultaneously selling a second request related to the same underlying stock at a higher price and then selling the third call at the highest rate of all. This will ensure that you are sure to find profits at numerous points in the life of the options as the underlying stock grows. This type of spread can also make it easier to profit when the market appears to be in a neutral phase.
The most effective time to use a butterfly spread is when you expect the underlying stock to increase, but you are not sure by how much. The multiple strike prices ensure that you will see a profit as long as you are correct and you don’t have to worry about if you guess too low or too high. When deciding whether or not to utilize the butterfly spread it is important to only do so when the volatility of the underlying stock is relatively low, as the higher the amount of evaporation the more elevated the ultimate cost of the trade is going to be. The downside to the butterfly strategy is that you are going all in when it comes to betting that the underlying stock will move in a particular direction, which means that if the trade turns sour, you are out three times as much as usual.

**Iron Condor:**

This strategy is useful if you are interested in trading options that are based on indices as they are volatile enough to create profits while at the same time less volatile than individual other options. If you want to apply the iron condor, then you will need to begin by holding both an extended position and a short position on two strangles to gain as much from a neutral market as possible.

Your strangles will need to utilize a short as well as a long at a strike price that is on the outer edge of reasonable. This will also work if you use a credit spread or a call spread that is higher than the current market price of the underlying asset, as
long as they utilize a put that is priced more conservatively than the market price would otherwise suggest. Taking a loss while using an iron condor can be much more substantial than with many of the other strategies discussed in this chapter which makes them the most well suited for those who are not opposed to a higher amount of risk.

**Iron Butterfly:**

To make the most of the iron butterfly you need to generate either a long straddle or a short straddle while also selling or buying a related strangle as required. While this may sound like a traditional butterfly spread, the iron butterfly instead utilizes calls as well as puts instead of sticking to one or the other. This means that both loss and profit are going to be limited to the range of strike prices that you use which means it is a great time to choose options that are out of the money as it will ensure cost is minimized while not significantly increased risk.

The best iron butterflies are those which utilize two options that are set on either side of the middle strike point of the underlying stock in question. This will then generate either a long straddle or a short straddle depending on the specifics of the butterfly in question. The butterfly’s wings are formed from the two options that are at the higher and lower strike prices that come to light after the strangle has been sold. This helps to
offset the losing position which ensures that your losses will be middling if the trade turns sour.
Chapter 24: How Options Are Priced

When it comes to trading options successfully day after day and year after year, one of the most important things to understand is how various options are assigned the value you then see listed on the market. This price is a combination of the current price of the underlying stock, the time value, intrinsic value, volatility and related interest rates. Of these various factors, time value, volatility, current underlying stock price and intrinsic value are going to influence the overall amount the most directly which means they are the reason a particular option is set at an individual rate.

As such, if you are curious if an individual option is the right one for you to trade, then it is essential to understand the difference between guaranteed profits or premiums the trade will generate as well as its maximum theoretical value. The dividend is the amount of guaranteed value that can be produced from an option, and the notional value is the amount that the choice should be worth at the moment based on reliable market signs.

**Major influences**

Underlying stock price at the moment: In general, while the amounts might not be even, an option is going to trend in the same way as its underlying stock. This will rarely be a 1 to 1, but as the price of the underlying stock rises, the amount of
related calls are going to increase, and the costs of puts are going to decrease. Likewise, if the rate of the underlying stock decreases, then the amount of calls is going to reduce along with related underlying stock prices.

Current value (intrinsic):
The inherent value of an option is the amount of value it is guaranteed to retain even once the decay of the time value reaches its maximum. Intrinsic value can also be thought of as premiums or guaranteed profits. Inherent cost of a call option can be determined by just dividing the current price of the underlying stock by the total of the strike price subtracted from the present price amount. Alternatively, if you are looking to find a put option’s intrinsic value, the best way to do so is to start by subtracting the amount of the current underlying stock price from its strike price and then dividing that by the present amount the stock is worth.

The resulting number will give you a better idea of the kind of advantage that going ahead and exercising the option would generate if you exerted right now. This can be thought of as the minimum the choice will be worth as can be seen in the following example: for a company with a stock price of $34.80 any call options that were purchased for $30 would have an intrinsic value of the difference between the two, which is $4.80. Alternatively, if it were a put instead of a call, it would
have an inherent cost of $0 because negative intrinsic value always equates to $0.

**Time value:**

The amount of time between now and the period the option expires can also be thought of as the likelihood it is going to make more than the intrinsic value before it expires. To find the time value of an option you start by taking the price of the option in question and subtracting that number from the intrinsic value of the option in question. Most options are going to retain up to 70 percent of their value for the first half of their time on the market and then lose the rest in the back half of their season on the market.

To wit, if the share price is $34.80 and a $5 call option is good for 30 days, then the time value is going to be $.20 because that is what is left after $4.80 has been subtracted from $5. The time value changes based on multiple variables. For example, if the option were instead worth $6.85 and going to expire in 9 months then the time value would alternatively be $2.05 which is what you get when you take $4.80 away from $6.85. The intrinsic value will stay the same in these instances and only the time value will shift, causing the amount to change of turn. Time value is also directly influenced by the current level of volatility the underlying stock is experiencing at the moment, as well as how volatile it is expected to be before the related option expires. A stable cost is likely to have a lower time
value cost than one that is extremely unstable. This means that the higher the odds of a stock experiencing a significant change, the higher its time value is going to be as well.

**Volatility:**
Volatility is more subjective than the other major influencing factors of options pricing, but it is still important to measure it correctly. This can be difficult for new options traders to do especially, but the plethora of volatility calculators available online these days make it less of an issue. While there are numerous types of volatility, implied volatility and historical volatility are the most common. Historical volatility relates to the amount of evaporation the underlying stock has seen in the recent and not so recent past. Having a clear view of how the stock moves in response to individual events will give you a clearer idea of how it is going to run in the future as well, while also providing you an idea of the best time to buy. Implied volatility, on the other hand, tells you how volatile the underlying stock is at the moment.
Chapter 24: Tips and Tricks for Avoiding Costly Mistakes

Save yourself some heartache by avoiding these costly mistakes.

1. Don’t invest more than you can afford to lose. Remember, options trading is a risky proposition and if your hunches are wrong or your timing is off it is entirely possible to lose your entire investment. Start off small, no more than 10-15 percent of your portfolio should be used for options trading.

2. Do the proper research. Don’t hurry into an investment because someone told you it was a good idea. Do your research and make an informed decision before you make a trade.

3. Adjust your strategy based on market conditions. No one strategy is going to work in all markets. Keep abreast of what is going on in the economy and the financial world and adapt your trading strategies to match current market conditions.

4. Know your exit strategy before you purchase. Have a plan and stick to it. Don’t let your emotions overrule your rational decisions. Choose your upside and downside exit points as well as your timeframe and don’t give the euphoria of making more substantial profits sidetrack you.
5. Don’t take on more risk than you are comfortable with. Every investor has their level of risk tolerance. Know your risk comfort level and choose strategies that stay within that territory. You don’t want to lose sleep at night wondering if you’ve made the right investment decisions.
Chapter 25: Selling Naked Puts

Naked options refer to the strategy of selling a put or call without owning or shorting the stock. The term naked is used because these are uncovered positions. The object of the strategy is to collect the option premium without ever having to buy the underlying stock. An investor will sell an out-of-the-money (OTM) put against a security. The investor wants the option to remain OTM so it expires worthless and the investor will keep the premium.

Naked puts are a bullish strategy. First, puts are written (sold) when the market is expected to go up. Historically, the market tends to go up more than it declines. Second, writing a put is sometimes used as a means of acquiring the underlying stock for less money, should it fall to the put’s strike price. When an investor sells (shorts) a put, they are obligating themselves to have the stock put to them at that strike price if the stock is trading below that strike at expiration. A put seller should have the equivalent of the strike price in reserve, in case it should be needed for the stock purchase.

All of the above discussion, however, does not take margin into consideration. Each brokerage firm may have its own unique requirements for how much cash or stock equivalent an investor must have on hand in order to trade uncovered
options. However, the use of margin just increases both the risk and potential reward.

We recommend selling monthly puts. We did an extensive study on selling puts for the past eight years. Our findings conclude that if you sell puts at a strike price which is about 50% below the current price, you have a success rate of 94% to 100%. We filed our report with The U.S. Patent Office under Confirmation No. 2145.

We like to place a stop-loss order somewhere about 10% above the strike price.

The stop-loss order is placed against the price of the stock and not against the cost of the option. It works like this. If the stock drops to the targeted rate—10% above the strike price—you buy back the put at the market value.

By placing the stop-loss, most of the time you won’t be exercised on your short puts, and thus you won’t end up owning the stock.

Selling puts a strategy recommended for only very aggressive investors.
Monthly Bull Put Spreads

We usually don’t recommend selling a monthly bull put spreads for the following two reasons:

1. The return on the money is often not as good as on weekly bull put spreads.
2. Options lose most of their time premium in the last week of the expiration cycle, which favors option sellers. So, we wait until that point to enter the trade. It is not worth it to put your money at risk three to four extra weeks to make a small return on your capital.
Weekly Bull Put Spreads

We highly recommend selling a weekly bull put spreads. Such a trade is a credit spread, which is created by buying a put at a lower strike price and selling a put at a higher strike price, both positions expiring on the same day. The option you buy at the lower strike price is priced smaller than the one you sell at, the higher strike price, thus depositing a credit (cash that is yours to keep) in your account. Because you make money upon trade entry, it is called a credit spread.

It is an options trading strategy in which time decay works in your favor. We buy and sell puts that are out of the money, that is, some distance below the actual price of the stock. Thus we don’t necessarily search for stocks that must rise in value for us to benefit from this strategy. The shares can stay flat, go higher, or drop to the level of our short put and we are still the winners.

With a credit spread, the price of the stock is immaterial. Our capital requirement, the money we put at risk, is the difference between the two strike prices.

See below for the recommendations we made for the week ending July 21st, 2017.
ENTRY: An order must always be opened for a definitely limited credit for the spread somewhere between the bid and ask price. Never place an open market order, and don't trade the two legs separately. We usually don't purchase a spread until we get a credit of at least 0.07.

We try to enter these trades only on the first two trading days of the week. We cancel our order to trade after the early two days if we have not been able to enter the trade for a credit acceptable to us.

Our recommendations for the week ending July 21st, 2017, were divided into three categories of probability: a) Ultra Conservative, with a probable success rate from 90% to 99.9%; b) Conservative, with a likely success rate from 80% to 90%; and c) Aggressive, with a likely success rate from 70% to 80%. The higher the strike prices, the better the credit but also more risk. Risks and rewards are related. You choose the category that you are comfortable with, based upon your level of risk tolerance.

For our recommendations, we provided the bid and asked prices as of the previous Friday’s close. We try to enter our spreads somewhere in the middle of the attempt and ask prices. Since returns are based on the bid prices, we may change the order for the bid price if we are not able to get the trade in the middle of the bid and ask prices. It is quite likely that these

212
prices will go up or down, depending on the stock’s price movement upon opening. For this reason, we may miss a chance to enter into any of these spreads.

**EXIT:** If the stock closes on Friday on or above the sold put strike price, we don’t have to do anything. The credit we got at the time of opening the spread is our profit.

If we don't place a stop loss order, the most we can lose is the difference between the two strike prices minus the credit we received upon entering the trade.

**STOP LOSS ORDER:** Place your stop-loss order above the short put strike price as shown in the table below. To save you the trouble of having to watch the movement of the stock on a day-to-day basis, you can place your stop-loss order in the following fashion:

Let us imagine that we sold a put at a strike price of 20 and bought a put at a strike price of 19. Our stop-loss order would be a conditional order that instructed our brokerage to buy the put at the strike price of 20 and sell the put at the strike price of 19 if the stock drops to $20.50, or whatever price we choose.

Our stop-loss order can be attached to the original execution of the trade, so that it only comes into action if the trade is executed.
Stop-loss orders may or may not be placed, depending on your risk tolerance.

**MARGIN:** Most brokerage companies have a margin requirement that is the difference between the long and short put strikes, which is $50 to $300 for the recommended trades below.

**BREAK EVEN:** If the stock closes on or above the Break Even point on the day of option expiration, we consider it a winning trade, irrespective of the stop loss points.

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**Ultra Conservative**

**Category 1 - Probability of Success:**

90% to 99.9%,

**Ann. Return:** 180% - 217%

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</tr>
</thead>
<tbody>
<tr>
<td>QQQ</td>
<td>142.12</td>
<td>138.94</td>
<td>137.5</td>
<td>139.0</td>
<td>139.55</td>
<td>0.06</td>
<td>0.09</td>
<td>217%</td>
<td>90.2%</td>
<td>$150</td>
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<tr>
<td>IWM</td>
<td>141.73</td>
<td>138.45</td>
<td>137.0</td>
<td>138.5</td>
<td>139.35</td>
<td>0.05</td>
<td>0.09</td>
<td>180%</td>
<td>91.7%</td>
<td>$150</td>
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<tr>
<td>PANW</td>
<td>138.96</td>
<td>131.93</td>
<td>130.0</td>
<td>132.0</td>
<td>132.95</td>
<td>0.07</td>
<td>0.09</td>
<td>189%</td>
<td>90.2%</td>
<td>$200</td>
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</tbody>
</table>
Conservative

Category 2 - Probability of Success;
80% to 90%,
Ann. Return: 304% to 495%

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AAPL</td>
<td>149.04</td>
<td>144.89</td>
<td>143.0</td>
<td>145.0</td>
<td>145.75</td>
<td>0.11</td>
<td>0.14</td>
<td>304%</td>
<td>84.3%</td>
<td>$200</td>
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<td>ADBE</td>
<td>146.16</td>
<td>142.87</td>
<td>141.0</td>
<td>143.0</td>
<td>143.50</td>
<td>0.13</td>
<td>0.24</td>
<td>363%</td>
<td>81.1%</td>
<td>$200</td>
</tr>
<tr>
<td>XBI</td>
<td>79.07</td>
<td>76.37</td>
<td>75.0</td>
<td>76.5</td>
<td>77.35</td>
<td>0.13</td>
<td>0.26</td>
<td>495%</td>
<td>82.3%</td>
<td>$150</td>
</tr>
</tbody>
</table>
Aggressive

Category 3 - Probability of Success;

70% to 80%,

Ann. Return: 711% - 1,043%

<table>
<thead>
<tr>
<th>Stock</th>
<th>Last Week Closing</th>
<th>Break Even</th>
<th>Buy Put Strike Price, Expiring Friday, July 21st</th>
<th>Sell Put Strike Price, Expiring Friday, July 21st</th>
<th>Stop Loss Price</th>
<th>Bid</th>
<th>Ask</th>
<th>Ann. % Return</th>
<th>Probability of Success</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>WDC</td>
<td>94.44</td>
<td>91.25</td>
<td>90.0</td>
<td>91.5</td>
<td>92.35</td>
<td>0.25</td>
<td>0.37</td>
<td>1,043%</td>
<td>73.2%</td>
<td>$150</td>
</tr>
<tr>
<td>BABA</td>
<td>151.83</td>
<td>147.76</td>
<td>146.0</td>
<td>148.0</td>
<td>148.65</td>
<td>0.24</td>
<td>0.31</td>
<td>711%</td>
<td>74.6%</td>
<td>$200</td>
</tr>
</tbody>
</table>

The logic for the success of the above recommendations:

All picks in the above categories were chosen from different industries. This provides us an excellent cushion unless all the trades go down. Diversification is the key to success.

As seen in the tables, we provide recommendations for three categories. Category 1 is ultra-conservative, Category 2 is conservative, and Category 3 is an aggressive approach.
The margin requirement for each spread does not exceed $200. So if any one of the ranges doesn’t work in our favor, we don’t lose too much.

Stop-loss orders are provided above the strike price of the short puts. Also, they are placed against the cost of the stock and not against the cost of the option. For example, with QQQ we would set a stop-loss order at 139.55, meaning that if QQQ dropped to that amount, we would buy to close the 130 put at the market price before the July 21st expiration.

We try to do these trades at the very beginning of the week. If the stock drops significantly at the beginning of the week, we may suffer some loss. But if the stock does not fall until the end of the week, we may not lose too much as the time value in the option price has also gone down.
Chapter 25: Four Additional Powerful Strategies

Dr. Singh’s Nearly Zero Risk Strategy

Dr. Singh’s 3-Legged Strategy

Dr. Singh’s 4-Legged Strategy

Dr. Singh’s Riskless Strategy
DR. SINGH'S NEARLY ZERO RISK STRATEGY

TRADE GOAL: To make very high returns on volatile stocks while taking very little, if any, risk.

We created this strategy to capitalize on big stock moves in volatile stocks, such as biotech firms awaiting FDA approval or rejection, whether those big steps are up or down. According to our calculations, your risk to trade these combination orders is zero. Nevertheless, because we like to err on the side of caution, we advise our clients to assume a risk of about $200 for the entire position to account for uncontrollable uncertainties, such as a change in volatility, etc.

TRADE ENTRY: We recommend entering these trades as soon as possible, as in shortly after they are supported. Enter these trades only as combination orders*—that is, open all of the positions, calls, and puts, at the same time—and in equal ratio. Enter these trades for credit—that is, taking money in. Enter these trades using limit orders, never market orders.
Example 1 from a recent trade recommendation:

**Stock:** INSM

- Buy one Aug 18<sup>th</sup> 17 call
- Buy one Aug 18<sup>th</sup> eight put
- Sell one Oct 20<sup>th</sup> 18 call
- Sell one Oct 20<sup>th</sup> 17 put

**Net credit:** 10.95 ($1,095)

**TRADE EXIT:** We place an order to buy back the entire combination on or before the expiration day of the long positions.

**TRADE HEDGE:** We don’t place stop-loss orders on these trades because any potential loss is already limited.

**MARGIN:** Margin requirements may vary from brokerage to brokerage. Our initial margin requirement for this trade with Interactive Brokers was $310.

**MAX RISK:** $200

**MAX PROFIT:** $1,192

**PERCENT RETURN:** 1,254%
CAUTION: We skip the trade for this week if we’re not able to get our desired net credit, or close to it.

Potential of profit at different prices of INSM on August 18 based on Black Scholes Option pricing formula. It may vary if the options do not follow their historical pattern.

<table>
<thead>
<tr>
<th>If price of stock on Aug 18 goes to</th>
<th>0</th>
<th>2</th>
<th>4</th>
<th>6</th>
<th>8</th>
<th>10</th>
<th>12</th>
<th>14</th>
<th>16</th>
<th>18</th>
<th>20</th>
<th>22</th>
<th>24</th>
<th>26</th>
<th>30</th>
<th>40</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential of profit</td>
<td>$195</td>
<td>$194</td>
<td>$174</td>
<td>$112</td>
<td>$8</td>
<td>$62</td>
<td>$78</td>
<td>$65</td>
<td>$26</td>
<td>$64</td>
<td>$184</td>
<td>$288</td>
<td>$379</td>
<td>$458</td>
<td>$590</td>
<td>$809</td>
<td>$936</td>
</tr>
</tbody>
</table>

Profit/Loss In Dollars For INSM On August 18th

Profit $ on Aug 18th, 2017

Stock Price $
The rationale for the above trade:

We expect a big move in INSM soon as Phase 3 data results for the biopharmaceutical company are due to be released in September 2017 (plus/minus a month). We don’t know whether that move will be up or down, but this strategy allows us to profit either way. In this procedure, we buy nearer date options because they are relatively low-priced and sell later date options because they are relatively too high-priced, and thus we collect a credit. The extended options act as a hedge against the short options, and the net credit accumulated serves as a further hedge against a down move. If we close all positions on or before August 18th, the day our long seats expire, we are guaranteed—worst-case scenario—to break even or close to it.

Here is how to place this order with Interactive Brokers:

1. Right-click on an space under Financial Instrument.
2. Go to Generic Combo
3. In the Underlying box type in INSM and hit enter
4. Go to options
5. Choose the August 18th options
6. Select the 17 strike price and click ask to buy call
7. Select the eight strike price and click ask to purchase put
8. Select options for October 20th
9. Select the 18 strike price and click bid to sell call
10. Select the 17 strike price and click proposal to sell put
11. Make sure the correct options are sell/buy and select your quantity then click OK
12. Double check the order and click OK
13. Change to GTC or leave it at Day
14. Click on asking and change the price to whatever you want (negative asking price if you want it on credit)
15. Click Transmit

We ordinarily implement this strategy when we expect a stock to go up much higher than it might go down. We don’t expect the stock to remain flat on the day of expiration of the extended call and put.

Example 2 from a recent trade recommendation:

**Stock:** AXON

Buy one Aug 18\textsuperscript{th} 22.5 call
Buy one Aug 18\textsuperscript{th} 12.5 put
Sell one Dec 15\textsuperscript{th} 25 call
Sell one Dec 15\textsuperscript{th} 22.5 put

**Net credit:** 18.10 ($1,810)
The following graph shows that on August 18, 2017, if the stock drops to $0, we have a profit of $810 and if it goes up to $50, our profit is $1,091. The only time we make a smaller profit is when stock remains flat. Even though the risk is $0, we tell our clients to assume it be about $200 to account for any uncertainties.

<table>
<thead>
<tr>
<th>If price of stock on Aug 18 goes to</th>
<th>0</th>
<th>2</th>
<th>4</th>
<th>6</th>
<th>8</th>
<th>10</th>
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<th>26</th>
<th>30</th>
<th>40</th>
<th>50</th>
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</thead>
<tbody>
<tr>
<td>Potential of profit</td>
<td>$810</td>
<td>$808</td>
<td>$777</td>
<td>$707</td>
<td>$599</td>
<td>$458</td>
<td>$288</td>
<td>$243</td>
<td>$227</td>
<td>$192</td>
<td>$141</td>
<td>$77</td>
<td>$150</td>
<td>$263</td>
<td>$459</td>
<td>$832</td>
<td>$1,091</td>
</tr>
</tbody>
</table>

**Potential of profit at different prices of AXON on August 18 based on Black Scholes Option pricing formula. It may vary if the options do not follow their historical pattern.**
*Some brokerages or trading platforms may not accept these trades as a single combination order. In that case, break the combination into separate rules, but be sure to receive the desired net credit, or close to it. And remember to monitor and close the positions as a single trade.
**DR. SINGH'S 3-LEGGED STRATEGY**

**TRADE GOAL:** To make high returns on stocks that exhibit high upside potential while taking minimal risk to the downside.

We created this strategy to capitalize on stocks that may be poised for big up moves—biotech companies awaiting news from the FDA, for example, or a new high-tech enterprise about to report earnings. We select the three option positions (or “legs”) for this strategy at strike prices and expiration dates that will have the most payoff if the stocks go up but the minimal risk if they remain flat or go down.

**TRADE ENTRY:** We recommend entering these trades as soon as possible, as in shortly after they are supported; as they are credit spreads and net credit keeps going down as time goes by. Enter these trades only as combination orders—that is, open all of the positions at the same time.* Enter these trades for credit—that is, taking money in. Enter these trades using limit orders, never market orders.

Example 1 from a recent trade recommendation:

**Stock:** AXON
Stock price at time of recommendation: $23.19

Buy one Aug 18th 22.50 call
Sell one Oct 20th 25 call
Sell one Oct 20th 22.50 put

Net credit: 17.80 ($1,780)

TRADE EXIT: We must close all of the positions on or before the expiration of the long position. We can also roll over the long position to a future date.

MAX RISK: $469 +/-

MAX PROFIT: $2,026 +/-

PERCENT RETURN: 281% +/-

PROBABILITY OF SUCCESS: 95% +/-

MARGIN: Margins may vary from brokerage to brokerage. Our initial margin requirement for this trade with Interactive Brokers is about $578.

CAUTION: We skip the trade for this week if we’re not able to get our desired net credit, or close to it.
Potential of profit at different prices of AXON on August 18 based on Black Scholes Option pricing formula. It may vary if the options do not follow their historical pattern.

<table>
<thead>
<tr>
<th>If price of stock on Aug 18 goes to</th>
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<th>24</th>
<th>26</th>
<th>28</th>
<th>30</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential of profit</td>
<td>$-469</td>
<td>$-272</td>
<td>$-102</td>
<td>$29</td>
<td>$133</td>
<td>$184</td>
<td>$214</td>
<td>$231</td>
<td>$205</td>
<td>$171</td>
<td>$121</td>
<td>$56</td>
<td>$129</td>
<td>$242</td>
<td>$344</td>
<td>$479</td>
<td>$1,067</td>
</tr>
</tbody>
</table>

Rationale for the above trade:

By using the above strategy, we start losing money only after the stock goes below $6. The lowest the stock ever traded in its lifetime is about $9. Although anything is possible, the probability of the stock going below $6 on August 18, 2017, is
extremely low as the company is coming up with three FDA submissions in the last quarter of 2017.

**Here is how to place this order with Interactive Brokers:**

1. Right-click on an space under Financial Instrument.
2. Go to Generic Combo
3. In the Underlying box type in AXON and hit enter
4. Go to options
5. Choose the October 20th options
6. Select the 25 strike price and click bid to sell call
7. Select the 22.5 strike price and click bid to sell put
8. Choose the August 18th options
9. Select the 22.5 strike price and click ask to buy call
10. Make sure the correct options are sell/buy and select your quantity then click OK
11. Double check the order and click OK
12. Change to GTC or leave it at Day
13. Click on asking and change the price to whatever you want (negative asking price if you want it on credit)
14. Click Transmit

In these spreads, we sell both a call and a put either at the same or different strike prices. In most cases, we also buy a request below or above the short call to cover our risk on the
upside. We pick the options where we can collect enough credit premium to limit downside risk.

Example 2 from a recent trade recommendation (also on AXON, when it was trading at $11.72):

Stock: AXON
Stock price at time of recommendation: $11.72

Buy one Aug 18\textsuperscript{th} ten call
Sell one Sep 15\textsuperscript{th} 12.50 call
Sell one Sep 15\textsuperscript{th} five put

Net credit: 5.85 ($585)

The rationale for the above trade:
We picked a long August call to protect us on the upside as well as to keep our collected credit high. The idea behind this strategy is to reduce the risk and use the collected credits to protect both sides.

The following graph shows that the stock has to drop below $2 on August 18 for you to lose money.

The 52-week range for this stock is $10.69 to $17.66. It has never traded below $9.00.
Although anything is possible, it is highly unlikely that this stock will go below $2 on August 18. Our approach is exceptionally conservative and well-studied.

The following graph is based on the Black Scholes option pricing model. It may vary if the options do not follow their historical pattern.

<table>
<thead>
<tr>
<th>If price of stock on Aug 18 goes to</th>
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<th>26</th>
<th>28</th>
<th>30</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential of profit</td>
<td>-$329</td>
<td>-$132</td>
<td>$32</td>
<td>$154</td>
<td>$234</td>
<td>$281</td>
<td>$298</td>
<td>$288</td>
<td>$258</td>
<td>$209</td>
<td>$144</td>
<td>$265</td>
<td>$375</td>
<td>$474</td>
<td>$564</td>
<td>$646</td>
<td>$1,182</td>
</tr>
</tbody>
</table>

*Some brokerages may not accept these combinations of trades as one order. In that case, break the combination into separate orders, but keep in mind that the net credit should remain close to what we received for the entire combination.
Dr. Singh’s 4-Legged Strategy

We use this strategy when we are almost sure that a stock will make a big move on a particular day but we’re not sure of the direction.

The following example will make the strategy clear.

Here is a recommendation we gave for the stock CIEN when it was trading at $25.75.

1. Buy 3 $26 calls expiring March 17th
2. Buy 3 $26 puts expiring March 17th
3. Sell 2 $26 calls terminating March 10th
4. Sell 2 $26 sets expiring March 10th

Note that the strike price is the same ($26) for all the options, but we buy more than we sell.

Here is what we are doing in this trade:

We picked a stock whose March 17th weekly call and put options could be bought at a relatively lower price than the call and put options for March 10th. In this case, we bought the calls and puts which expire on March 17th and sold the calls and puts which terminate on March 10. Therefore three calls and three puts are long, and two calls and two puts are short. We have an extra-long call and an extra-long put to take advantage of the up
or down movement of the stock. If you have a share which may be coming up on its earnings report or some other major news on a specific date, you enter the trade a day before that event and get out the next day. Who cares if the story is good or bad? You are covered on both sides.

Thus we can take advantage of the movement of the stock in just one day.

Even if we don’t get out in one day, as we come closer to March 10th, the options we sold will lose their premium faster than the options we bought for March 17th. So we may break even if the stock closes flat at $25.75.

If the stock moves up or down, we have an extra call and put option which expire on March 17, and so we end up making money whether the stock goes up or goes down.

Our strategy behind this process is to risk limited money to make unlimited profit.

When we put this trade in our brokerage account and check the risk factor, it shows the risk for doing this trade to be zero.

You can see that the brokerage has created a graph of our trade result even if the stock moves dramatically up or down.
But we usually tell our clients to consider the risk to be about $200, not zero as indicated on the graph, to account for any errors or for market deviations from historical patterns…

We feel it is worth the risk of about $200 to make $1,000; $2,000; $10,000 or more. It’s humanly impossible to find such trades without the help of our sophisticated software.

**Here is how place this order with Interactive Brokers:**

1. Right click on an empty space under Financial Instrument.
2. Go to Generic Combo
3. In the Underlying box type in CIEN and hit enter
4. Go to options
5. Choose the March 17th options
6. Buy 3 $26 calls
7. Buy 3 $26 puts
8. Select options for March 10th
9. Sell 2 $26 calls
10. Sell 2 $26 puts
11. Make sure the correct options are sell/buy and that the quantity number is correct.
12. Double check the order and click OK
13. Change to GTC or leave it at Day
14. Click on asking and change the price to whatever you want (negative asking price if you want it on credit)
15. Click Transmit

Example 2 from a recent trade recommendation:

Stock: DVAX

Buy 3 Oct 20th 10.0 calls
Buy 3 Oct 20th 10.0 puts
Sell 2 Aug 18th 10.0 calls
Sell 2 Aug 18th 10.0 puts

Net Credit: 8.70 ($870)

Rationale for the above trade:

This strategy is useful when we expect the stock to make big movements up or down. We are expecting earnings report for
this stock to come out on August 3rd, 2017 (unconfirmed). An FDA advisory committee meeting on July 28th, 2017 and new PDUFA on August 10th, 2017. Any of these events can make a big swing in the stock price one way or the other.

**ENTRY:** These trades should only be done as a combination and in the same ratio as indicated. We try to buy the combination at a price somewhere in the middle of the bid and ask prices. We don't mind missing a trade for the week rather than paying too much for it. We always place the order for a limited debit rather than an open market order. Net debit shown is the net total of one set of the entire combination of calls and puts as of that Friday’s closings.

**EXIT:** We place the order to buy back the short calls and short puts at 0.10 or below. In the best situation, we might be able to buy back both short calls and short puts especially if there is a big swing up or down in the stock price. In most instances, we are able to buy only short calls or short puts. Thus we are either left with 3 legs or 2 legs. We should get out of the remaining legs of the spread at profit ASAP. If there are 3 legs remaining we must get out of them before the closing date indicated. If there are only 2 legs remaining, we can wait to get out of them until the expiry dates of those options.

**MAX RISK:** $247 +/-

**MAX PROFIT POTENTIAL:** Infinite
MARGIN: Margins may vary depending upon the brokerage companies. Our initial margin requirement with Interactive Brokers is about $412.

STRIKE PRICE: If the stock moves away from the dictated strike prices, we change our order closer to the trading price of the stock while still trying to buy the combination at or below debit prices mentioned before.

CAUTION: We skip the week if are not able to do the trades close to our desired prices.

Potential of profit at different prices of DVAX on August 18 based on Black Scholes Option pricing formula. It may vary if the options do not follow their historical pattern.

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<th>40</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential of profit</td>
<td>$129</td>
<td>$-70</td>
<td>$-228</td>
<td>$-215</td>
<td>$23</td>
<td>$468</td>
<td>$278</td>
<td>$205</td>
<td>$213</td>
<td>$281</td>
<td>$385</td>
<td>$519</td>
<td>$668</td>
<td>$835</td>
<td>$1,193</td>
<td>$2,151</td>
<td>$3,142</td>
</tr>
</tbody>
</table>
*Some brokerage companies may not accept the following combination as one order. Then break the combination in two different parts as they accept, while keeping in mind that net debit should remain close to the entire combination.
**Dr. Singh’s Riskless Strategy**

**TRADE GOAL:** To take a small risk for a theoretically infinite profit.

This strategy involves a small risk and so the probability for success is also small. However, the advantage is that even though the risk is small, the upside profit potential for this trade is infinite.

We use this strategy when we expect a big move on a certain date. It is good to use when we expect a biotech stock to be nearing its FDA hearing dates. Most biotech stocks tend to increase in price before FDA decisions are announced in the hope that the FDA will approve the company’s new drug, treatment, device, etc. We can take advantage of this timing with this strategy.

**TRADE ENTRY:** Enter these trades SAP. Enter these trades only as combination orders—that is, open all positions at the same time.* Enter these trades for a net debit—money paid out. Enter these trades using limit orders, never market orders. The net debit is the sum of the cost for the shares of stock and for the put as of the previous Friday’s close. The number of puts we buy should cover all shares of the stock—if we buy 100 shares, we buy 1 put; if we buy 200 shares, we buy 2 puts, etc.

Example from a recent trade recommendation:
Stock: PLX

Buy 100 shares of PLX
Buy one Nov 17th one put

Net debit: 1.24 ($124)

TRADE EXIT: We must get out of the entire combination on or before the expiration of the put position. Or we can roll the extended put position to a future expiration date.

TRADE HEDGE: We don't place any stop-loss orders for these trades because the loss is limited compared to the profit potential.

MARGIN: Margins requirements may vary from brokerage to brokerage.

MAX RISK (for every 100 shares and one long put): $24

MAX PROFIT: Infinite

PROBABILITY OF SUCCESS: 40%

Important: Please note that the risk to trade in this strategy is low, and so is the likelihood of success.
Note about the stock: PLX had Phase 2 trial initiation on November 30th, 2016. Data is due around the end of 2017.

Example 2 from a recent trade recommendation:

**Stock:** RGLS

- Buy 100 shares of RGLS
- Buy one Nov 17\textsuperscript{th} 2.5 put

**Net Debit:** 2.74 ($274)

**TRADE EXIT:** We must get out of the entire combination on or before the expiration of the put position. Or we can roll the extended put position to a future expiration date.

**TRADE HEDGE:** We don't place any stop-loss orders for these trades because the loss is limited compared to the profit potential.

**MARGIN:** Margins requirements may vary from brokerage to brokerage.

**MAX RISK (for every 100 shares and one long put):** $24

**MAX PROFIT:** Infinite
PROBABILITY OF SUCCESS: 43%

**Important:** Please note that the risk to trade in this strategy is low, and so is the likelihood of success.

**Note about the stock:** RGLS is expected to make some moves as its Phase 1/Phase two is due before the end of the year of 2017.
Questions and Answers

We hold webinars every week to discuss the strategies presented in this book. The following are the most commonly asked questions and Dr. Singh’s answers to them.

You can register for a webinar by visiting

www.StockMarketExpert.com
Question: Previously I joined some other options guiding services but they did not work. How can I be sure that this one will work?

Answer: You have to ask yourself this question. Do they have the same qualifications and experience as I do? Did they do the same trades themselves that they recommended for you to do? Are they honest enough to provide you login information to their own account so that you can see what they’re trading? Did they provide you a guarantee to refund you the fee if their recommendations did not work? If your answer to all these questions is no, then you now see how I am different and in fact better than those options guiding services you are referring to.

Question: Is it easy to trade options? Does your system make it easier?

Answer: We try to make it very easy for you. We send you an e-mail of our recommendations at least a day before we want you to trade. Our e-mail will have complete details, what and when to enter and exit. We don’t expect you to do any other work. All you need to do is allocate 15 minutes of your time every week to placing these trades.
Question: Does the price of the underlying stock matter when you are making your selection of stocks?

Answer: Since we trade spreads on options, the price of stock does not matter to us.

Question: Do your strategies work in all kinds of market conditions?

Answer: Our strategy is based on one fundamental principle, that it should work whether the market goes up, goes down or remains flat. In fact, in our calculations we already assume that the market is going to go against us.

Question: Is options trading less risky than trading stocks?

Answer: It is all a matter of knowledge and experience. Most of our strategies are based on trading a certain way in which they are less risky than trading stocks. Our selling puts strategy is based on the assumption that the stock will drop way below the current trading price in a month before you lose money. If after a month, you can buy a stock at 40% to 50% below the current price, it is naturally safer to sell puts for the shares that you intend to buy at full price.

Question: Do we have to hold the trades until the day of expiration?
**Answer:** No. You can get out of any trade anytime you want.

**Question:** Is this a fad or meant to be for long-term trading?

**Answer:** It is not a fad. The large institutions will always try to take advantage of small investors. It was right in the past, it is right in the present, and it will remain to be right in future. Large institutions will always have to buy stocks and buy protective puts to protect their positions against the downfall. Now is the time for the small investor to know to be able to take advantage of rather than becoming a victim.

**Question:** How long will it take me to learn?

**Answer:** It depends on your interest and desire to learn. We try to make it easy for you by giving the passwords to our account so you can learn fast. If you are new to options trading, we will refer you to a service that will provide you with free education on options trading. They cover most of the primary and advanced strategies for trading. While most other services charge a lot of money to educate you, this function will teach you, totally free of cost through articles on the website, videos, webinars, seminars, etc. Also, we will give an additional 30 days of membership for open to those who have less than two years
of options trading experience to allow you extra time to learn and paper trade.

Question: How do you unwind a trade?

Answer: You do exactly the opposite of what you did at the time of placing a trade. What you bought before, you sell. And what you sold previously, you repurchase it.

Question: If I join the annual program and I lose money in 2 of your monthly trades towards the end of my subscription, would you still refund my full yearly fee?

Answer: While we cannot guarantee that you will always make money, we pledge to pay you back the entire fee of the membership that you paid us no matter which month you lost money provided you lost money in 2 or more of our monthly recommendations in any single month. PLUS we will pay you up to an additional $1,000 compensation for your loss in equity.

Question: What is your most important factor in selecting a stock?
**Answer:** We go with the flow of the market and the direction of the stock movement.

**Question:** What kind of support can we expect from you?

**Answer:** If you subscribe to our annual membership, we provide unlimited e-mail Support. However, please don’t expect that we are going to teach you the fundamentals of options trading. For this, we will refer you to a free options education service and expect you to trade our recommendations on paper before you do with real money.

**Question:** Your strategy seems to be great. I take it that it works. Otherwise you would not be providing a guarantee to refund the annual fee in full if I lose money any month. How come I never heard of your strategy before?

**Answer:** The simple answer to your question is that most people take their advice from stockbrokers. Unfortunately, they are trained to be good salespeople and not research scholars. So, what do you expect from them? If you do your research, you will find that all our findings happen to be right 100%.

**Question:** What technical indicators do you use in making your selection of the stocks?
Answer: We mostly go by the overbought and oversold conditions. We don’t believe in technical analysis. We also don’t think in fundamental analysis either as these reports are mostly written by the companies to make their stocks look good. These statements can be misleading.

Question: Dr. Singh, which is your favorite strategies?

Answer: I like our Minimal Risk and 3 Legged strategies the most.

Question: Which one of the spreads is your favorite?

Answer: Our favorite spread is Category 2 which is our conservative approach. Category 1 is too moderate and you don’t get enough premium to justify the risk and brokerage commission. Class 3 may at times, be too aggressive.

Question: You suggest to do the spreads somewhere in the middle of the bid and ask. What if you are not able to execute a trade in the middle?
Answer: We start in the middle, but we can go to the lower number. If we are not able to execute a trade even at the smaller name, we don’t chase it.

Question: When should the stop loss order be placed?

Answer: Stop loss order can be placed at the same time as when we put the order for execution. The stop-loss order is attached to the execution order, and it activates only when a warrant has been executed.

Question: How can we be sure that your strategy works more than 90% of the time?

Answer: We have filed our research report of 280 pages with the US Patent Office, Washington, DC. We also provide you passwords to our account. You can go back and forth on your computer and check our claims. No one can provide you better proof than that.

Question: If I make over a million dollars through your recommendations, can you write my story in your 14th upcoming book, 100 New Millionaires – 100 Success Stories of Option Traders?
Answer: Yes. If you make over $1,000,000 using our recommendations, I will mention your story in the upcoming book, “100 New Millionaires – 100 Success Stories of Options Traders”

Question: How much money is needed to start?

Answer: We send you recommendations of spreads which have margin requirements of $50 to $200 each. There is no minimum required. However, we recommend that you start with at least $5,000 to make it worth your time. Otherwise you can start with a much smaller amount of your choice.

Question: Do you teach us to find these trades ourselves?

Answer: We provide you our recommendations with the logic as to why we do these trades. We also provide, to our annual members, log in information to our account so that they can easily see what we are doing. In addition, we provide our free book Stop Trading Stock & Futures the Old-Fashioned Way which explains our strategies in detail. Thus, we make every effort so that you are not dependent on us for too long.
Question: When should we enter and exit the trades?

Answer: We provide complete instructions as when to enter and to exit the trades at the time of providing our recommendations for trading. We will contact you only if our original terms of the trade have changed.