

Index

- Account breakdown, 221
- Account distribution, diversification (relationship), 220
- Asset classes, binary option availability, 3–10
- Assets, news releases (impact), 139e–140e, 149e–150e
- At-the-money, definition, 259
- At-the-money binary option trade
 - data points, 50e, 58e
 - profit and loss (P&L) graph, 49e, 57e
- At-the-money gold binary option
 - entry breakdown, 96
 - example, 96–97
 - exit breakdown, 97
 - rationale, 96
- At-the-money long trade collateral
 - entry breakdown, 49
 - example, 49
 - rationale, 49
- At-the-money long trade settlement
 - entry breakdown, 63
 - example, 63–64
 - exit breakdown, 63
 - rationale, 63
- At-the-money option, purchase (example), 125
- At-the-money short collateral
 - entry breakdown, 56
 - example, 56–58
 - rationale, 56
- At-the-money short settlement
 - entry breakdown, 70
 - example, 70–71
 - exit breakdown, 70
 - rationale, 70
- Automated system, trading, 214
- Back-testing
 - danger, 161
 - difficulty, 158
 - results, example, 216
 - rules, 162–163
- Bid, definition, 259
- Bid/offer, 76
- Bigger losses strategy, 169–171
- Big wins strategy, 171–174
- Binary, term (meaning), 19
- Binary option chain, 33
 - collateral level, 52e, 54e
 - contract example, 60e
 - contrarian analysis, 251–252
 - daily US 500 example, 194e
 - example, 36e, 43e, 89e
 - expiration time (duration), 34e, 36e
 - futures, 118e
 - reading, 34–38
 - US 500 binary options, example, 191e
 - US 500 data, 124e, 126e
- Binary option condition
 - depiction, 36e
 - expiration, relationship, 84e, 87e, 89e, 93e
 - morning sale, 92e
 - purchase, 83e, 89e
 - sale, 86e
- Binary option contract
 - collateral, 43
 - exit, 87–94
 - expiration value, 45e
 - strike price trade, 65
- long, collateral requirement, 48, 49
- losses, minimization, 87–94
- sale, premium collection, 51
- trading, 71–72
 - expiration/settlement, relationship, 95
- value behavior, 32e
- Binary option price
 - behavior, demonstration, 125
 - market consensus, 32–34
 - minimum/maximum, 44e
 - time until expiration, relationship, 31e
- Binary options
 - advantages/disadvantages, 13–14
 - flowchart example, 7e
 - list, 14e
 - asset class availability, 3–10
 - asset presence, 12
 - assumption, 9
 - availability, 5, 242
 - behavior, expiration (approach), 123
 - benefits, 202–206
 - binary nature, 155
 - CBOE (Vanilla) put/call options, contrast, 10–13
 - collateralization, 13, 201
 - completion, 43
 - collateral requirement, 13
 - components, 20–22
 - consideration, 25
 - currency pair availability, 8
 - definition, 1, 259
 - depiction, expiration (impact), 125e
 - derivative instruments, meaning, 44
 - drawdown, calculations, 213e
 - percentage terms, 214e
 - example, 204–205
 - exit strategy, 189–190
 - expiration, 21–22
 - approach, 125
 - behavior, 13
 - price, behavior, 14
 - probability, 35
 - timing, 124–125
 - values, 44–45

- Binary options (*continued*)
 - fixed risk and reward, 12
 - fundamental trading
 - strategies, 139
 - going long, profit and loss, 112, 113e
 - in-the-money consideration, 24
 - intuitive pricing, 14
 - jump, 92
 - long, P&L graph, 37e
 - long strangle, profit and loss (P&L) graph, 201e
 - long trades, settlement, 59–71
 - order types, 78e
 - payout odds, 36e
 - at-the-money level, 37e
 - in-the-money level, 38e
 - out-of-the-money example, 37e
 - payouts at expiration, 202–203
 - position, collateralization. *See* Long binary options position.
 - pricing, 29
 - profit, 66
 - purchase, 135
 - example, 203
 - puts/calls, absence, 13, 95
 - quotes, reading, 75–76
 - retail trader action, 246–247
 - risk, limitation, 14
 - sale, 244–246
 - example, 203
 - short trade
 - formula, 65
 - mechanics, 50–58
 - settlement, 63–67
 - small contract size, 14
 - spread, risk management, 190–199
 - strangle, profit and loss (P&L) graph, 200e
 - strategies
 - back-testing, 158–161
 - creation, 153
 - strike price, 20–21
 - effect, 33e
 - expiration, instrument (impact), 51e
 - instrument, impact, 52e
 - systems, usage, 155
 - technical trading strategies, 129
 - time value, 30–32
 - representation, 31e
 - time until expiration, 193e
 - traditional options, contrast, 12–13
 - usage, 107
 - value, 44
 - volatility trading, 15
- Binary option trades, 9. *See also* Economic events
 - collateral table, 121e
 - data points, 188e, 189e
 - entry, 75
 - breakdown, 82–83
 - exit, 75, 78–81
 - breakdown, 83, 85
 - commissions, 78–79
 - profit, locking in, 82–85
 - expiration
 - example, 204
 - exit, 79
 - exit timing, 81–94
 - losing, 79–80
 - winning, 80–81
 - long position, 82
 - entry breakdown, 82–83, 88
 - example, 88–91
 - exit breakdown, 83, 90
 - maximum loss/profit, 121e
 - settlement, commissions, 78–79
 - short position, 85
 - entry breakdown, 85
 - exit breakdown, 86–87
- Binary option trading, 31
 - advantage, 13
 - collateralization, 44
 - expiration, trading
 - correctness, 95
 - keys/examples, 95
 - reasons, 14–15
 - safety, 200
 - strike price, impact, 20
- Blackjack, edge (example), 156
- Breakout
 - binary options, usage, 134–135
- chart, 159e
- strangle trade
 - example, 136–138
 - rationale, 136
 - trade entry, 136
 - trade exit, 136–137
- strategy
 - problems, 159–160
 - usage, 159
 - trading, 134–138
- Buying volatility
 - definition, 259
 - long strangle, definition, 108
- Buy order, depiction, 161, 161e
- Call, definition, 259
- Call options contracts, 10
- CCI approach, 220
- Ceiling, definition, 259
- Chicago Board Options Exchange (CBOE)
 - vanilla put/call options, binary options (contrast), 10–13
- Chicago Mercantile Exchange (CME)
 - expiring/exercised vanilla put/call options study, 226
 - S&P futures data, usage (example), 158
- Collateral, 120–121
 - definition, 259
 - explanation, 44
 - level. *See* Binary option chain; Binary option contract.
 - requirement, 54. *See also* Binary options.
 - table, 71, 73e
- Commissions, 71–73
 - breakdown, 73e
 - definition, 259
 - requirements, 79e
- Commodity, definition, 259
- Commodity futures, 5–7
 - definition, 259
 - pricing, 5
- Conditional stop (trade exit tactic), 177
- Consecutive losing trades, 215–216
- Consecutive trade cutoff, problems, 216
- Contracts
 - definition, 259
 - trade settlement, receiving, 81
 - value, binary option behavior, 32e
- Contracts for differences (CFDs), 158
- Contrarian analysis, 249–251

- binary option chain, 252e
- rolling out, 251–252
- Copper binary option
 - at-the-money example
 - rationale, 101
- Copper binary options
 - at-the-money example, 101
 - entry/exit breakdowns, 101
 - chain, 100e
 - in-the-money example, 98–100
 - entry/exit breakdowns, 100
 - rationale, 100
 - long in-the-money binary option trade
 - data points, 102e
 - P&L graph, 101e
 - short at-the-money binary option trade
 - data points, 103e
 - P&L graph, 102e
 - short out-of-the-money binary option trade
 - data points, 98e
 - P&L graph, 98e
- Copper binary options, examples, 99–103
- Copper futures, 6
- Corn futures, 6
- Crude oil futures, 6
- Currency pairs
 - binary option availability, 8
 - definition, 259
 - quotes, 7
- Cutoff ratio, impact, 234
- Cutoff strategy, rolling out
 - strategy (combination), 251–252
- Daily binary options, 22
- Daily expiration, definition, 259
- Daily S&P 500 futures, five-year intervals, 245e, 253e
- Data
 - overoptimization, avoidance, 163
 - range, back-testing, 163
 - size, back-testing, 162–163
- Debt risk. *See* Vanilla options/futures
- Deep-in-the-money option
 - delta, level, 123
 - entry/exit breakdowns, 170
 - purchase, example, 169–171
 - rationale, 169
 - sale, 226
 - trade, problem, 170
- Deep-out-of-the-money option, sale, 226
- Delta
 - binary option chain, examples, 124e, 126e
 - option price, relationship, 127t
 - price, relationship, 127
 - understanding, 123–127
- Directional analysis, 247
- Directional option strategy, 246–247
- Directional systems, 246
- Directional trading, definition, 259
- Disaster factor protection, 201
- Diversification. *See* Intersystem diversification
 - account distribution, relationship, 220
- Dow Futures (Wall Street 30), 5
- Downtrend, consequences, 162
- Drawdown, 184. *See also* System
 - analysis, five percent loss (example), 185c
 - analysis, two percent loss (example), 184e
 - approach, maximum consecutive trade
 - approach (combination), 216
 - calculation, 212. *See also* Binary options.
 - historical/back-tested drawdown, 214–215
 - trade-by-trade calculation, 214
- Drawdown maximum
 - cutoff, presence, 218
 - factors, 214–215
 - setting, 218–219
- Duration, impact, 244–246
- Economic calendar, example, 142e
- Economic data, position
 - control, 202
- Economic data releases, 8–10
 - position, 200
 - speculation, 149–150
- Economic events, 8
 - binary option trade, 147–148
 - rationale, 147
 - trade entry/exit, 147
- definition, 259
- short binary option trade
 - data points, 148e
 - P&L graph, 148e
- Economic releases, impact, 141
- Emotions
 - control, 166, 167
 - impact, 165
 - justification (process), 166
- Eurex Dax futures (Germany 30), 5
- EUR/USD
 - binary options, option chain, 204, 204e
 - cross, 161
 - increase, assumption, 206
 - movement, chart, 206e
 - pair, trading level (example), 141, 150–161
 - trading level, example, 8
- Event. *See* Price
- FX change and option
 - clearinghouses, trading considerations, 12
- Expiration, 21–22
 - definition, 259
 - discipline, 206–207
 - time/date, 76
 - winning, 80–81
- Exponential moving averages (EMA), 254
- Fear, emotion, 166
 - danger, 211
 - impact, 165
- Federal funds rate
 - binary option trades, 9
 - economic data release, speculation, 149
- Fees, 71–73
 - breakdown, 73e
- Floor, definition, 260
- Forecast, example, 141
- Forex, 158
- FTSE (Liffe FTSE 100 futures), 5
- Futures
 - commodity futures, 5–7
 - contracts, speculation (example), 4
 - definition, 260
 - derivatives, 158
 - explanation, 3–4
 - margin/debt risk, 43–44
 - stock index futures, 4–5
 - trading benefits, 3–4

- Germany 30 (Eurex Dax futures), 5
- Gold binary options
 - chain, 96e
 - examples, 96–98
- Gold daily OHLC chart, 129e
- Gold futures, 6
 - decline, 180
 - option chains, 244e
 - trading price, 6
- Greed, emotion, 166
 - danger, 211
 - impact, 165
- Hard dollar stop, usage, 186
- Hedging, definition, 260
- High volatility, option chain, 243e
- Historical data, analysis, 243
- Historic volatility, definition, 260
- Implied volatility, definition, 260
- Indicators
 - collinearity, 157
 - example, 157e
 - on/off indicator, requirement, 158
- Intersystem diversification, 220–221
- In-the-money, definition, 260
- In-the-money binary option
 - purchase, 178–181
 - decision, example, 161
 - entry/exit breakdowns, 180
- In-the-money long collateral
 - entry breakdown, 46
 - example, 46–47
 - rationale, 46
 - summary, 47
- In-the-money long settlement
 - entry breakdown, 60
 - example, 60–61
 - exit breakdown, 60
 - rationale, 60
- In-the-money option contract
 - purchase, example, 189–190
- In-the-money option purchase, 248
 - attempt, 255
- In-the-money short collateral
 - entry breakdown, 55
 - example, 55–56
 - rationale, 55
- In-the-money short settlement
 - entry breakdown, 68
 - example, 68–70
 - exit breakdown, 68
 - rationale, 68
- Intraday, definition, 260
- Intraday binary options, 21–22
- Japan 225 (Nikkei 225 futures), 5
- Jobless claims
 - economic binary option trades, 9
 - report, position (example), 9
- Justification (process), 166
- Korea 200 (KOSPI 200 futures), 5
- KOSPI 200 futures (Korea 200), 5
- Leg, definition, 107, 260
- Liffe FTSE 100 futures (FTSE), 5
- Limit order, definition, 260
- Live account, progression, 163
- Long at-the-money, 24
 - binary option, 24e
 - binary option trade
 - data point, 64e, 98e
 - profit and loss (P&L) graph, 64e, 97e
- Long binary options
 - position, collateralization, 45–46
 - profit and loss (P&L), vanilla call option (relationship), 124e
- Long binary options trade
 - data points, 47e, 85e, 90e, 181e
 - early exit, data points, 91e
 - example, 82–85, 88–91
 - exit breakdown, 90
 - expiration payout, P&L graph, 80e
 - profit & loss (P&L) graph, 47e, 180e
- Long call, profit and loss (P&L) graph, 11e
- Long in-the-money, 22
- Long in-the-money binary option, 23e
 - payout, 80e
- Long in-the-money binary option trade
 - data points, 61e, 171e
 - profit and long (P&L) graph, 61e, 170e
- Long leg
 - entry, 248–249
 - potential breach, cutoff, 233
- Long out-of-the-money, 22
 - binary option, 23e
 - data points, 63e
 - trade, profit and loss (P&L) graph, 62e, 178e
- Long position
 - definition, 260
 - profit and loss, graphical representation, 118e, 230e, 236e
- Long put, profit and loss (P&L) graph, 12e
- Long strangle (buying volatility), definition, 108
- Long trade
 - collateralization, 45–49
 - logic, short volatility, 114
 - making, 45
- Long trading, 22–24
- Long vanilla put trade, profit and loss, 11
- Long volatility
 - binary option trade
 - data points, 111e, 137e–138e, 143e–144e
 - P&L graphs, 109e, 110e, 112e, 113e, 137e, 143e
 - definition, 260
 - entry breakdown, 108–109
 - example, 108–110
 - exit breakdown, 109
 - rationale, 108
 - trade, profit and loss (P&L) graph, 174e, 227e
- Losses
 - consecutive losses, 184
 - minimization, 87–94, 169–175
 - strategy. *See* Bigger losses strategy.
- Lower strike price breach, short volatility, 115
- Low volatility, option chain, 243e
- Manual system, trading, 214
- Margin. *See* Vanilla options/futures
 - definition, 260
- Market
 - direction, 247
 - establishment, 250

- edge, discovery, 155–156
- making, 255–256
- movement, 111
 - presidential election, impact, 144
 - price, sales, 240–242
 - trend, determination, 252
 - volatility, control, 199–202
- Maximum dollar loss,
 - determination, 186–187
- Maximum drawdown cutoff
 - example, 219e
 - presence, 218
- Maximum loss, 120–121
 - definition, 260
 - formula, 65
- Maximum profit, 120–121
 - definition, 260
 - summary table, 71, 73e
- Maximum risk/reward, short
 - volatility, 115
- Mean, reversion, 242–244
- Momentum, indicator, 157
- Moving average convergence/
 - divergence (MACD), problems, 163
- Moving averages
 - problems, 163
 - upward movement, 249e
- Multisystem trading graph, 220e

- NASDAQ futures (US Tech 100), 5
- Natural gas futures, 6
- Natural market consensus,
 - definition, 260
- Negative emotions, 165
 - control-168, 166
 - mitigation, 175–181
 - reduction, 168
- News releases, 139–144
 - impact, 139e–140e, 149e–150e
 - speculation, 147–148
 - strangle, example, 141–144
- Nikkei 225 futures (Japan 225), 5
- Nonfarm payrolls
 - binary options trades, 9
 - economic data release, speculation, 149
- Offer, definition, 260
- Option chains
 - daily US 500 example, 194e
 - definition, 260
 - example, 21e, 30e
 - maximum profit/loss, 68e
 - US 500 binary option, example, 191e
- Options
 - contracts
 - bid and ask price, change, 33
 - function, explanation, 10–11
 - delta, definition, 261
 - expiration date exercise, 11
 - in-the-money settling, 194
 - price, delta (relationship), 127t
 - sale, 244–246
 - spread, 107
 - definition, 261
 - risk management, 190–199
 - time value
 - representation, 31e
 - time until expiration, 193e
 - types, 10
 - Order ticket
 - asking price, 77
 - contract information, 76
 - details, 77
 - example, 77e
 - reading, 76–75
 - stop order, placement, 78
 - types, 72e
 - Out-of-the-money, definition, 261
 - Out-of-the-money binary
 - options
 - sale, 226
 - trade
 - data points, 48e, 207e
 - entry/exit breakdown, 178
 - profit & loss (P&L) graph, 48e
 - Out-of-the-money gold binary
 - option
 - entry breakdown, 97
 - example, 97–98
 - exit breakdown, 97–98
 - rationale, 97
 - Out-of-the-money long binary
 - option trade
 - data points, 173e
 - entry/exit breakdown, 172
 - examination, 171
 - profit and loss (P&L) graph, 172e
 - rationale, 172
 - risk, reduction, 173
 - Out-of-the-money long
 - collateral
 - entry breakdown, 47
 - example, 47–48
 - rationale, 47
 - Out-of-the-money long
 - settlement
 - entry breakdown, 62
 - example, 62
 - exit breakdown, 62
 - rationale, 62
 - Out-of-the-money option, delta
 - level, 123
 - Out-of-the-money short
 - collateral
 - entry breakdown, 53
 - example, 53–55
 - rationale, 53
 - Out-of-the-money short
 - settlement
 - entry breakdown, 67
 - example, 67–68
 - exit breakdown, 68
 - rationale, 67
 - Out-of-the-money 1260 binary
 - options, 205–206
 - trade, data points, 205e
 - Overbought/oversold,
 - indicator, 157

 - Payout
 - move, size (impact), 111e
 - regulation, strike prices (usage), 110–113, 116–120
 - Payout odds
 - at-the-money level, 37e
 - basis, 35
 - in-the-money level, 38e
 - out-of-the-money level, 37e
 - probabilities, 36e
 - Physical gold, price
 - (speculation example), 4
 - Political events, 144–146
 - Political instability, volatility
 - short trade, 144–146
 - rationale, 144
 - short volatility binary option trade
 - data points, 146e
 - P&L graph, 145e
 - trade entry, 145
 - trade exit, 145
 - Position size
 - calculation, example, 187
 - determination, 185–190
 - volatility long trades, 190–195

- Political instability (*continued*)
 volatility short trades, 195–199
 maximum dollar loss, determination, 186–187
 trade, example, 187–188
 trading, data points, 204e
 trading psychology, relationship, 199
 usage, 203
 Premium availability, 194e
 Premium collection, 53, 226–231
 entry breakdown, 227–228
 exit breakdown, 228–229
 lower strike price breach, 228
 maximum risk, 228
 upper strike price breach, 228
 maximum reward, 228
 normal distribution curve, 226e
 option chains, high/low volatility, 235e
 option graphical representation, 236e
 rationale, 227
 reward risk ratio, 229
 short volatility binary option trade, profit and loss (P&L) graph, 229e
 strategy, 225
 total collateral, 228
 trade
 example, 227–231
 long trade logic, 228
 short trade logic, 228
 transaction costs, 237e
 President, election (market movement), 144
 Price. *See* Strike prices
 behavior, 32–33
 event
 market participant view, 33e
 occurrence, expiration event, 32
 market consensus, 32–34
 movement, speculation, 43
 quote, definition, 261
 Proactive system improvement, 211
 Profits
 improvement, 169–175
 reinvestment, 217–218
 target, 219
 volatility, usage, 223
 Put, definition, 261
 Put/call options, 125
 Put option contracts, 10–11
 Quotes. *See* Binary options
 bid/offer, 76
 expiration time/date, 76
 strike price, 75
 underlying asset/market, 75
 Range regulation, strike prices (usage), 116–120
 Reinvestment rule, 216–219
 examples, 217–219
 Resistance, 160e
 analysis, 247–249
 support, relationship, 130–134
 Return on investment (ROI), increase, 159
 Reward/risk ratio
 approach, 169
 minimum, determination, 239
 short volatility, 115
 Risk amount, determination, 186
 Risk management, 183
 calculator, availability, 187
 impact, 156
 process, 184–185
 Rolling out, 251–252
 strategy, cutoff strategy (combination), 251–252
 Russell 2000 Futures (US Smallcap 2000), 5
 Selling volatility
 definition, 261
 short strangle, 113–116
 definition, 108
 Settlements, 59
 fee, definition, 261
 value, definition, 261
 Short at-the-money, 27
 binary option, 26e
 binary option trade
 data points, 72e
 profit and loss (P&L), 72e
 Short binary options
 settlement, 63–64
 Short binary options trade. *See* Economic events
 assumptions, 188
 collateralization, 49–50
 maximum loss, 53
 data points, 67e, 179e, 1983
 early exit, data points
 losses, cutting, 94e
 profits, locking in, 88e
 examples, 85–87, 188–189
 expiration payout, P&L graph, 81e
 profit and loss (P&L) graph, 66e, 179e
 settlement, understanding, 64
 short position, 91–94
 Short binary options trading position
 entry breakdown, 91
 example, 91–94
 exit breakdown, 92–93
 Short collateral, examples, 53
 Short in-the-money, 24–25
 binary option, 25e
 payout, 80e
 binary option trade
 data points, 57f, 71e
 profit and loss (P&L) graph, 56e, 70e
 Short leg potential breach, cutoff, 233–234
 Short out-of-the-money, 25
 Short out-of-the-money binary option, 26e
 trade
 data points, 55e, 69e
 profit and loss (P&L) graph, 54e, 69e
 Short position
 definition, 261
 profit and loss
 graphical representation, 118e, 230e, 236e
 representation, 65
 Short strangle (selling volatility), definition, 108
 Short trades
 collateral, formula, 53
 logic, short volatility, 114
 maximum loss/profit, 65e
 Short trading, 24–27
 Short volatility
 definition, 261
 entry breakdown, 114
 example, 113–116
 exit breakdown, 115

- long-trade logic, 114
- lower strike price breach, 115
- maximum reward, 115
- maximum risk, 115
- rationale, 113
- reward/risk ratio, 115
- short-trade logic, 114
- spread, profit and loss (P&L)
 - graph, 196e
- total collateral, 114
- upper strike price breach, 115
- Short volatility binary option trade
 - data points, 117e, 135e
 - premium collection, 229e–230e
 - profit and loss (P&L) graphs, 114e, 116e, 119e, 120e, 134e
 - contrarian analysis, 250e
 - premium collection, 229e
- Silver futures, 6
- Simple moving average (SMA), 254
- Small losses strategy, 171–174
- Small wins strategy, 169–171
- Soybean futures, 6
- Speculation, definition, 261
- Spot Forex, 7–8
 - definition, 261
- Spreads
 - approach, 173
 - losses, 239
 - positions, cutting, 195
- Spreads at expiration, 121e
- Staggered trades, 254–255
 - entry, 255e
- Standard & Poor's (S&P)
 - futures
 - closing, 66
 - market price, 240
 - options, 245
 - price chart, example, 84e
 - price movement, 255
 - speculation, 112
 - trading level, example, 169, 177, 249
 - usage, 243
- Standard & Poor's (S&P)
 - futures, trading, 4–5
 - level, 34, 35, 51
 - assumptions, 52–53
 - trade entry, 59
- Standard & Poor's 500 (S&P500)
 - futures (US 500), 5
 - speculation, 119
 - movement, data, 254
 - normal distribution curve, 118e
- Stock index, definition, 261
- Stock index futures, 4–5
 - binary options, availability, 5
 - contracts, trading, 4
- Stocks, derivatives, 158
- Stop-loss (trade exit tactic), 176–177
- Stop-loss, underlying basis (trade exit tactic), 177
- Stop-loss strategy, example, 180–181
- Stop order, placement, 78
- Strangle, 135. *See also* Vanilla options
 - definition, 261
 - news example, 141–144
 - profit and loss (P&L) graph. *See* Binary options.
 - rationale, 141
- Strangle trade, 190
 - entry, 141
 - exit, 141, 142
- Strike prices, 29–31, 29–30
 - analysis, 240
 - availability, 20, 29, 50, 88, 91
 - range, 34–35
 - breach, trading action, 240
 - definition, 261
 - market price, relationship, 95
 - movement, 126
 - observation, 21
 - quotes, 75
 - time until expiration, impact, 33
 - trading, 33
 - underlying, relationship, 45
 - usage, 110–113
 - worth, 32, 33
- Success probability (regulation), strike prices (usage), 110–113
- Support, 160e
 - analysis, 247–249
 - buy order level, 161e
 - graphical representation, 248e
 - level, example, 169e
- resistance, relationship, 130–134
- System
 - account breakdown, 221
 - amount, back-testing, 158
 - back-testing, 160
 - success, 220
 - cutoffs, 212
 - development. *See* Trading.
 - discovery, 168–175
 - drawdown, 212–215
 - expectancy, calculation, 156
 - historical/back-tested drawdown, 214–215
 - life cycle, 211
 - losses, 239
 - performance, 168
 - proactive improvement, 211
 - questions, 168
 - robustness, 157–158
 - success, 168
 - trade expectancy, 168
 - formula, 168–169
 - trading. *See* Volatility.
 - usage. *See* Binary options.
 - weekly system, back-testing, 162–163
- Take-profit (trade exit tactic), 176
- Technical breakout
 - downside, 134, 136e
 - upside, 136e
- Technical trading strategies, 129
- Time decay, 32
 - definition, 262
- Time stop (trade exit tactic), 177
- Time value, 30–32
 - consideration, 30–31
 - definition, 262
 - representation, 31e
- Total collateral
 - amount, usage, 193
 - short volatility, 114
- Traders
 - analysis, problems, 166
 - emotions, impact, 165
 - impatience, 211
 - losses, reasons, 175
 - parameters, creation, 167
- Trades. *See* Consecutive losing trades

- accuracy (reduction), cutoff ratio (usage), 234
- entry, 176
- exit, 176–178
- expectancy. *See* System.
 - formula, 168–169
- expiration, exit, 79
- impact, 254–255
- long leg, 235
- loss
 - determination, 215–216
 - reduction, 231–234
- normal distribution curve, 174, 175e
- profit
 - assumption, 213
 - exit, 216–217
- reward/risk ratio, 112
- risk, amount, 191
- skewing, 248
- staggering, 254–255
 - entry, 255e
- Trading
 - account, risk level, 193
 - amount, back-testing, 158
 - concept, data points, 204e
 - example, 217
 - graph. *See* Multisystem trading graph.
 - indicator collinearity, 157
 - psychology
 - binary options, benefits, 202–206
 - impact, 156
 - position size, relationship, 199
 - questions, 166
 - volatility, 43
- Trading system, 246
 - assumptions, 167
 - creation, requirement, 175–176
 - development, 156–158
 - historic results, absence, 185
 - initiation, 199
 - pyramid collateralization, 221e
 - return, potential, 215
 - twenty percent rule, 215
- Traditional option (vanilla option), definition, 262
- Transaction costs, 237
- Trend
 - analysis, 252, 254
 - indicator, 157
- Trend-following system, success, 220
- Twenty percent rule, 215
- Two percent rule, 183
- Tzu, Sun, 167
- Underlying
 - asset/market, quotes, 75
 - instruments, usage, 242–244
 - movement, 194
 - price, 227
- Underlying asset, definition, 262
- Upper strike price breach
 - percentage level, 239
 - short volatility, 115
- Upside, technical breakout, 136e
- Uptrend, depiction, 162e
- Upward trend, depiction, 162, 162e
- U.S. jobless claims, forecast (example), 141
- US SmallCap 2000 (Russell 2000 futures), 5
- US Tech 100 (NASDAQ Futures), 5
- US 500 (S&P 500 futures), 5
 - option chains, 244e
- Vanilla options
 - long strangle, 201e
 - margin/debt risk, 43–44
 - strangle, 200e
 - traditional option, definition, 262
- Vanilla put/call options
 - binary options, contrast, 10–13
 - premium collection, 53
 - puts, purchase, 246
 - usage, 43
- Volatility
 - control. *See* Market.
 - cyclicality, 242
 - indicator, 157
 - long position, taking (buying volatility), 108–110
 - long spread
 - approach, 194
 - exit, decision, 195
 - long strategy, problems, 201
 - long system, trading, 200
 - profit, 223
 - short position, taking (selling volatility), 113–116
 - short spread compensation, formula, 231
 - short strategy
 - construction, 243–244
 - design, 250
 - function, determination, 226–227
 - short system
 - creation, binary options (usage), 225
 - trading, 242
 - short trading rules, 225
 - analysis, 246–255
 - spread, exit value (examination), 195
 - trading, 107
 - definition, 262
- Volatility long trades
 - data points, 192e
 - option chains, 194e
 - position size, determination, 190–195
 - premium, availability, 194e
- Volatility short trades. *See* Political instability
 - legs, success, 196
 - maximum risk, 196
 - position size, determination, 195–199
 - profit and loss (P&L) graph, 196e
 - short binary option trade, data points, 198e
 - spread, rationale, 197
 - trade breakdown, 197
 - trade loss, determination, 197
- Volume, indicator, 157
- Wall Street 30 (Dow Futures), 5
- Weekly binary options, 22
 - strike prices, observation, 21
- Weekly expiration, definition, 262
- Weekly S&P 500 futures,
 - five-year intervals, 232e, 238e, 241e
- Weekly system, back-testing, 162–163
- Wins, number (increase), 169–175