

U.S. Binary Signals – Strategy Guide For Nadex Trading

General information about the signals:

- 1) U.S. Binary Signals are generated on our signal platform based on multiple proprietary momentum indicators. The signals indicate when an asset has a price movement that is significant based on very short term price action and should lead to higher or lower (Buy or Sell) pricing within the next hour.
- 2) U.S. Binary Signals will be delivered with approximately 1 Hour to the nearest Expiry time on the Nadex platform. The suggested Expiry Time will be listed on each signal you receive. All times are listed in Eastern Time – U.S. on 24 hour clock. Examples: 00:00 = 12:00AM and 14:00 = 2:00PM

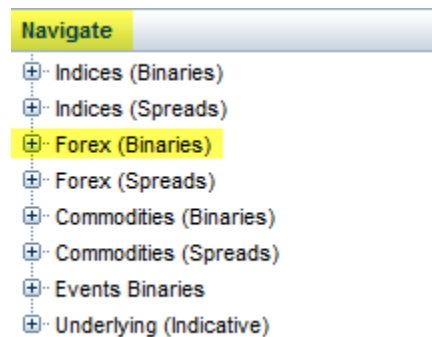
Sample Signal (for illustration only):

U.S. Binary Signals Alert
Signal Time: 2014-11-06 23:00 ET
Asset: EURUSD
Direction: Buy (Long)
Price: 1.2374
Expiry: 00:00 ET

- 3) Using this sample signal above for illustration, below are details of our primary trading strategy and some potential strategy modifications depending on your risk tolerance and trading style preference.

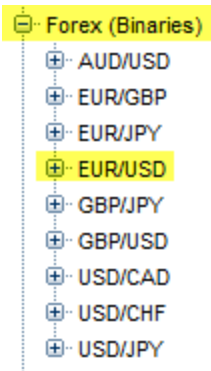
Basic ITM (In the Money) trading strategy

- 1) Select **Forex Binaries** in the left hand **Navigate** column.



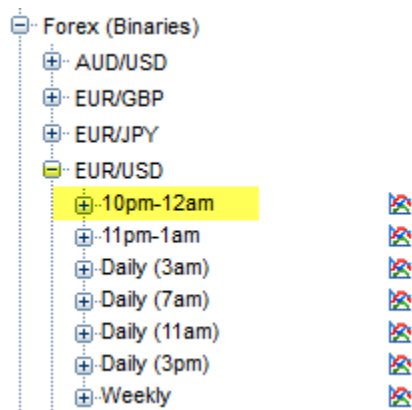
- 2) Then Click on the **+** sign left of the **'Forex Binaries'** to show all the assets and select the specific Asset listed in the signal alert.

Example: EURUSD



3) Then click on the **+** sign left of **EURUSD** to open the contract time selections for that Asset and locate the Expiry time listed on the signal.

Example: EURUSD 10:00PM-12:00AM



Note: This example above means trading for this contract has Expiry at **12:00AM**. The Expiry on the contract should match the Expiry on the signal (**00:00**).

4) Double click on the selected Contract time selection (**10PM-12AM**) as mentioned above and the various Strike Prices and Option Pricing will display in the trading window of your Nadex platform.

Markets									
Contract	Time Left	Expiry	Bid Size	Bid	Offer	Offer Size	Update	Indicative Inc	
EUR/USD >1.2407 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	22:00:03	1.23760	
EUR/USD >1.2403 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	22:11:06	1.23760	
EUR/USD >1.2399 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	22:40:42	1.23760	
EUR/USD >1.2395 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	22:52:40	1.23760	
EUR/USD >1.2391 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	23:17:58	1.23760	
EUR/USD >1.2387 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	23:31:28	1.23760	
EUR/USD >1.2383 (12AM)	21m : 6s	07-NOV-14	-	-	5.00	2	23:38:09	1.23760	
EUR/USD >1.2379 (12AM)	21m : 6s	07-NOV-14	50	6.50	15.00	50	23:38:48	1.23760	
EUR/USD >1.2375 (12AM)	21m : 6s	07-NOV-14	50	56.00	65.00	50	23:38:48	1.23760	
EUR/USD >1.2371 (12AM)	21m : 6s	07-NOV-14	2	92.00	-	-	23:38:12	1.23760	
EUR/USD >1.2367 (12AM)	21m : 6s	07-NOV-14	2	95.00	-	-	23:36:21	1.23760	
EUR/USD >1.2363 (12AM)	21m : 6s	07-NOV-14	2	95.00	-	-	23:01:20	1.23760	
EUR/USD >1.2359 (12AM)	21m : 6s	07-NOV-14	2	95.00	-	-	22:00:03	1.23760	
EUR/USD >1.2355 (12AM)	21m : 6s	07-NOV-14	2	95.00	-	-	22:00:03	1.23760	

5) Check the current 'Indicative Index' Asset price (far right) for the price of the Asset listed in the signal. This is the current price of the Asset you want to trade based on the Nadex price feed.

6) Locate the option contract(s) that are closest to the current price of the asset. Example: EURUSD Indicative Index price = 1.2376(0), then you would be looking for the Strike Price EURUSD > 1.2376(0) or the closest Strike Price(s) to the actual price of the asset currently. In the example above, it is EURUSD > 1.2375 (12AM)

Note: You are always looking for the option contracts with Strike Prices that are closest to the current price on the Nadex platform since the indicative price of the Asset may have moved some from the original Signal Price on your alert.

IMPORTANT: If the current indicative price has already moved +/- more than 5 pips from the signal price on the alert, we would suggest skipping this trade or use 'Limit Orders' to place your trade as you do not want to 'chase' the price of the option contract.

7) Select the contract that is slightly ITM (In the Money) which means that the contract would be a winning trade if it closed at the price you bought it. See highlighted price (\$65) above for a Buy price in this example.

BUY/Long Example: EURUSD Contract Strike Price > 1.2375 and you are purchasing a BUY (Long) contract at current Indicative Price of 1.2376(0) which is ITM (In the Money) by 1 pip at the time of purchase.

SELL/Short Example: EURUSD Contract Strike Price > 1.2379 and you are purchasing a SELL (Short) contract at current Indicative Price of 1.2376(0) which is ITM (In the Money) by 3 pips at the time of purchase. (note: this SELL/Short example is not relevant to the sample signal since the signal in the example is a BUY/Long)

8) Generally, you will pay \$55 to \$65 on average for a slightly ITM (In the Money) option contract which is what we recommend for best overall performance.

Note: The more ITM (In the Money) the Asset price is, the more you pay for the option. This creates a larger percentage of winning trades with a lower profit per trade.

Alternatively, you can purchase option contracts that are slightly OTM (Out of the Money) and pay less for the option contract. This creates a smaller percentage of winning trades with a higher profit per trade.

9) When you click 'Place Order' make sure the contract option you selected and entered an order for is actually filled. You should see confirmation of that in your 'Open Positions' folder.

Note: If you are placing a 'Limit Order' then your order will appear in the 'Working Orders' until it is filled and then it will appear in the 'Open Positions' folder when/if it is filled.

10) Wait for Expiry to determine the outcome of your trade.

Modification possibility for ITM (In the Money) strategy

When you are purchasing ITM option contracts, you will normally pay an average of \$55 to \$65, which means you are risking a loss somewhat greater than your potential win.

If the trade starts moving against you (it can happen), you can choose to close the open trade at any time and limit your loss. If you do limit the loss to the amount of your potential win, you could even up your risk/reward when trading.

Example: if you paid \$65 for an option contract and you do not want to lose more than \$35 on that trade, you could simply close the trade if it goes against you by \$35.00 and thus limit your loss on the trade.

Note: This is not our recommended style of trading (closing options early) however we wanted to point out that you always have the option to limit your losses on a specific trade if you choose.

Modification possibility for trading OTM (Out of the Money) strategy

On occasion when you are following the directions for the basic ITM strategy above, you will find that, due to the Strike Prices available, you could be paying \$80+ for the nearest ITM option contract. It is very likely that this option contract will expire ITM (In the Money), however the risk/reward is not favorable as you would risk \$80 in order to win \$20.

As an alternative, there may be a slightly (2 pips or less) OTM (Out of the Money) option contract that has a much more attractive risk/reward ratio. While this option has a smaller percentage possibility of expiring in profit, it does offer a better potential risk/reward opportunity.

Example: ITM option contract sells for \$80 with \$20 profit potential while the nearest OTM option contract sells for \$40 with \$60 profit potential. This is half the risk with 3 times the profit potential. Even though this OTM option contract has a much smaller possibility of winning than the ITM option contract, you may prefer to accept the extra risk based on the higher potential reward possible.

Note: Again, although this is not our recommended style of trading, we wanted to point out that this option of purchasing slightly OTM option contracts is a possibility.

Conclusion

The signals are designed as a tool to assist you in becoming a more profitable trader. Due to the variable strike prices and the variable option pricing that are utilized on the Nadex platform, there are choices to be made regarding your trades.

Our overall strategy above serves as a trading guideline, however the final decision of how best to implement the signals is up to the trader's discretion.

IMPORTANT: If you have questions about how to place a trade, trading terminology (glossary), or do not understand how to use the Nadex trading platform, please visit www.Nadex.com and consult their education materials.

You can watch video tutorials on how to use the platform and/or request personal assistance on learning how to trade. The Customer Service is exceptional at Nadex and they will be happy to help you learn how to trade Binary Options on their platform.