

What Makes a Binary Options Contract

TRAVERSE CITY, Mich. - Nov. 12, 2014 - [PRLog](#) -- Every trade made in the financial markets involves a contract, and the binary options market is no exception. A binary options contract will therefore have specifications, terms and conditions attached to it, which dictate how the players in the market approach the business of binary options trading.

There are differences in the contract specifications you will find on a European-style binary options, and the ones on an American-style binary option. Both binary option trading styles also share some similarities. Some of these will be identified in this article.

These are some of the features that make up a binary options contract.

Strike Price: The performance of an asset being traded as a binary options contract is usually measured with a price benchmark known as the strike price. For most binary contracts, this is the market price of the asset as at the time the contract is initiated. Some trades may have two strike prices (boundary trade) or multiple strike prices (ladder trade). Some binary options platforms will allow traders to choose an arbitrary price that can serve as the strike price (e.g. Touch/No Touch trade).

Bid: The bid price is the price that a broker will sell to a trader for initiating the sale of a contract, or to terminate a previously opened buy order. You will see the use of a bid price on American-style binary options or on AnyOption's 0-100 binary options contract.

Ask: The ask price is the price that a trader will pay for closing a previously opened Sell position to the dealer. Again, this is a feature of American-style binary options.

Expiration: Binary option trades have a lifespan, and the date or time that the open contract is to end is the expiration. When the binary options trade expires, settlement of the trader's positions will be done, with payouts being made for successful trades.

Settlement Value: The settlement value is the worth of the binary option contract on expiration. On American-style binary options platforms, the settlement value is either at \$0 or \$100. On European-style options, settlement value is either at \$0, or at the sum of the invested amount PLUS the percentage payout offered for the trade. The actual sum paid to winning trades is determined by the contract size purchased when the trade was opened.

Commissions: Trading binary options involves the payment of transaction fees. This is in the form of commissions in American-style binary options, or as a mark-up in the purchase price for European-style options. These must be factored in when calculating profits.

Underlying Asset: Trades are made on the performance of underlying assets. These assets fall into 4 categories: stocks, currencies, stock indices and commodities. Occasionally, some specially created assets may be offered for trading. On NADEX (American-style binary options provider), certain news releases such as the US Jobless Claims and NFP report are traded as assets. On some European-style binary options platforms, crypto-currency such as Bitcoin or Litecoin are offered as assets for trading.

Whatever the case, every asset must be backed up by an underlying market.

Conclusion

These are the features that make up a typical binary options contract. It is important for all traders to understand these contract features so that they will not appear strange when they are encountered on the platforms.

Interested in starting your career in forex or binary options trading? Let SlickTrade (<http://www.slicktrade.net/>) be your ultimate source for workspace setups, indicators, strategies and live call trading!

We love your feedback! Post your comments and share on social media...cheers to success

Contact

Krystal Comber

***@slicktrade.net

--- End ---

Source	SlickTrade
City/Town	Traverse City
State/Province	Michigan
Country	United States
Industry	Business , Home business
Tags	Investment , Binary Options , Contract , Forex Trading , Make Money
Link	https://prlog.org/12394099



Scan this QR Code with your SmartPhone to-

- * Read this news online
- * Contact author
- * Bookmark or share online