BINARY OPTIONS

THE FUTURE OF TRADING

You analyze the economy every day.

Gas prices are down since your last fill-up, your company is expanding and hiring, or you're thinking about refinancing your mortgage before the next Fed rate increase. You are not a passive observer.

You likely have opinions about where the stock market, crude oil prices, or the U.S. dollar is headed — opinions you could turn into trading strategies. But for most individuals, market participation is limited to retirement, college, or mutual fund investments that are held for many years.

A short-term market move is often just news you've heard in passing, not an event you could act on profitably. When the markets are up, it's good news: your portfolio is doing well. When they're down, most people view the hit to their account balance with a resigned shrug and hope for a turnaround. Markets move in waves, but we often can only surf them half the time.

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WSJ. CUSTOM STUDIOS

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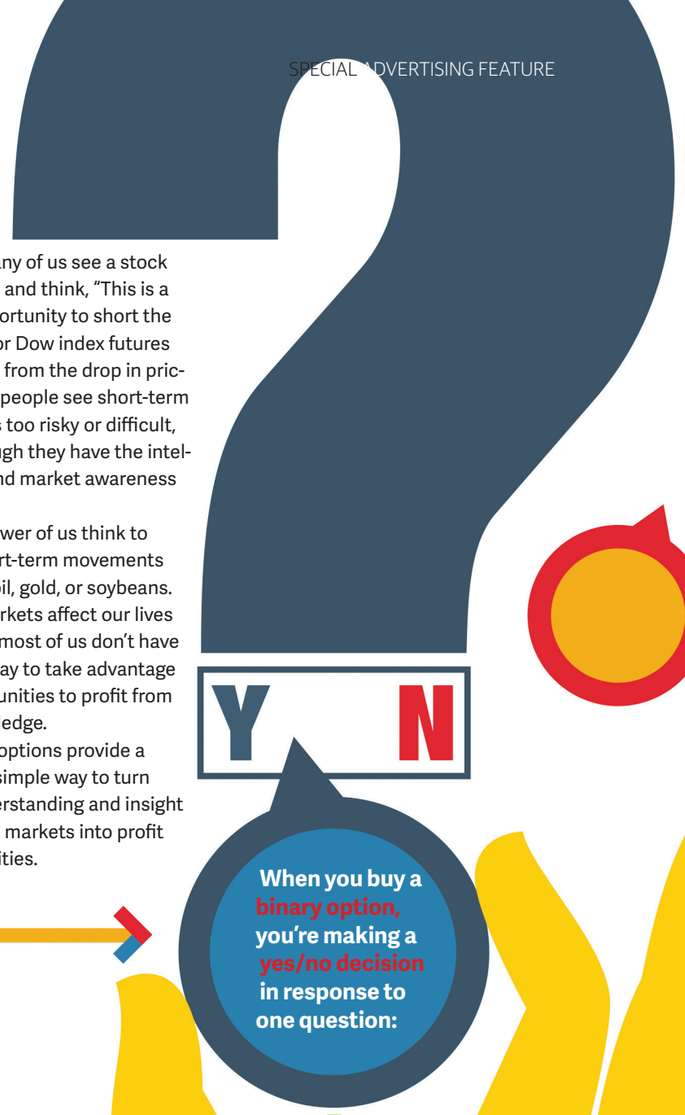
NADEX

Not many of us see a stock downturn and think, "This is a great opportunity to short the S&P 500 or Dow index futures and profit from the drop in prices." Most people see short-term trading as too risky or difficult, even though they have the intelligence and market awareness to do it.

Even fewer of us think to trade short-term movements in crude oil, gold, or soybeans. These markets affect our lives daily, but most of us don't have an easy way to take advantage of opportunities to profit from our knowledge.

Binary options provide a new and simple way to turn your understanding and insight about the markets into profit opportunities.



When you buy a binary option, you're making a yes/no decision in response to one question:

Will this market be above this price at this time?

If you think the answer is yes, you buy the binary option. If you think the answer is no, you sell the binary option. Binary options offer access to the same markets in which you currently trade and tap into the same knowledge you're using to execute those trades, with the added benefit of limited risk.

ILLUSTRATIONS BY MICHAEL AUSTIN

SPECIAL ADVERTISING FEATURE

THE CHOICE IS YOURS

Nadex enables you to trade in a wide variety of markets. You can explore multiple opportunities or concentrate on the one you know best.

FOREX

The world's largest trading market by volume is currencies, offering unlimited opportunity, but also unlimited risk. Trading forex pairs with binary options, by contrast, limits your risk without limiting your opportunity to participate in these markets.

INDEXES

Using binary options to trade U.S. and global stock index futures can complement a buy-and-hold investment strategy. Binary options allow you to trade on short-term movements in the markets themselves, rather than invest for the long term.

BITCOIN

A digital currency introduced in 2009, bitcoin is recognized by the U.S. Treasury Department and accepted as a form of payment by many online retailers. As with forex, you trade the price of bitcoin, not bitcoin itself.

COMMODITIES

The commodities market was traditionally accessible only to traders with significant capital and credit. Binary options give individual traders access to this once exclusive market.

ECONOMIC EVENTS

Binary options on economic events – such as jobless claims or interest rate changes – let you trade on the numbers released in economic reports, rather than in the industries or markets affected by those numbers. Trade the event itself instead of the reaction to it.

DEMOCRATIZING THE MARKETS

Binary options have been around for over a century, but it's only in the last decade that their appeal has grown among individual traders. And only since Nadex arrived as the first U.S.-based binary options exchange regulated by the Commodity Futures Trading Commission have they been legally available to individual traders in the U.S.

"Nadex has lowered the barriers to entry," notes Dan Cook, Director of Business Development at Nadex. "The ability to make small trades through a regulated exchange, and to trade with limited risk, has made binary options not only more accessible, but more attractive as well."

The New York Stock Exchange recently launched a binary options product for institutions. What was once a niche market is becoming an increasingly popular component of everyday investors' trading strategies. Binary options trading is expected to grow exponentially as more and more people become aware of the advantages.

With instant online funding via debit card, capped fees, no broker commissions, and free real-time data, Nadex has brought a different business model to the industry, one that makes it simple and affordable to start trading and opens up the markets to all participants. That simplicity extends to the trading experience itself and Nadex's primary instrument, the binary option.

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EASY MATH

Each binary option contract is worth $100, and your price to buy or sell a contract is between $0 and $100. The amount you pay for the trade is your maximum risk — you can never lose more than you spent to buy or sell the contract.

+

If you answered the yes/no question incorrectly, you earn $0, but all you've lost is the amount you paid for the contract. It's that simple.

=

When your contract expires, if you answered the yes/no question correctly, you earn $100 — the value of the contract. Your net profit is $100 minus the amount you paid to enter the contract.

LIMIT RISK, NOT YOUR OPPORTUNITY

Binary options are unique in their ability to offer limited risk trading in multiple asset classes, for practically unlimited trading opportunities. "Binary options, by design, allow you to precisely calculate the risk and reward potential of any trade before you enter it," explains Tim McDermott, CEO of Nadex. "With any other type of trade, you can only approximate your potential profit or loss."

Nadex offers contracts in stock index futures, forex, commodities, bitcoin, and even economic numbers like weekly jobless claims or the Fed Funds interest rate. This allows Nadex traders to go wherever the best trading opportunities are that day, always with the same guaranteed limited risk.

"The finite, known amount of risk associated with binary options appeals to every type of trader: short- or long-term, experienced or novice, large or small," Dan Cook adds.

Binary option trades let you define your risk level in advance. Your loss can never be greater than the amount you paid for the contract. You can also exit your trade early to take a smaller loss or lock in a profit without waiting until the contract expires.

Stop-loss orders can't give you such precise risk control. With the latter, you may end up with a larger loss than you were prepared for, or you may be out of the trade when a market swing reverses itself.

With Nadex binary options, you remain in the trade even if your binary option goes to zero. You never get stopped out.

TRADE VOLATILE AND FLAT MARKETS

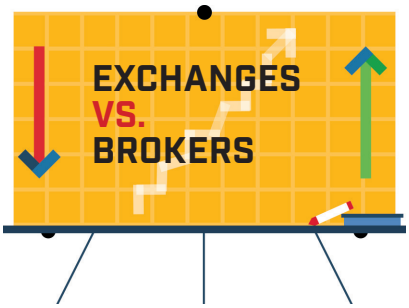
With Nadex binary options, you remain in the trade even if your binary's value temporarily drops to zero. You never get stopped out. Even if the market is volatile, you remain protected, because you can't lose more than you paid for the binary up front.

What about flat, low-volatility markets that just move sideways? The all-or-nothing outcome of binary options offers higher ROI from small price movements than you can get in conventional types of trading.

MANY MARKETS — ANY DEVICE

Education is the key to success in any business; trading in commodities, forex, and other markets is no exception. Unfortunately, many of the traditional venues for learning to trade are no longer available. "As trading floors have closed and financial transactions have moved online, the opportunity to learn about the markets in a traditional environment will never again be available to new traders," Tim McDermott notes.

"Nadex is the ideal platform for the novice trader," McDermott says. "It enables individuals to learn how binary options and spreads work in a limited risk environment, while providing access to what are essentially the same asset classes and vehicles that institutional traders use. We didn't just level the playing field. We built an entirely new playing field."



Nadex is an exchange, not a brokerage, and therefore doesn't recommend trades or engage in trading. With a focus on education and support, its business model depends on cultivating knowledgeable traders who stay successful over the long term, trading regularly and profitably. Nadex's income is derived exclusively from members' trading fees.

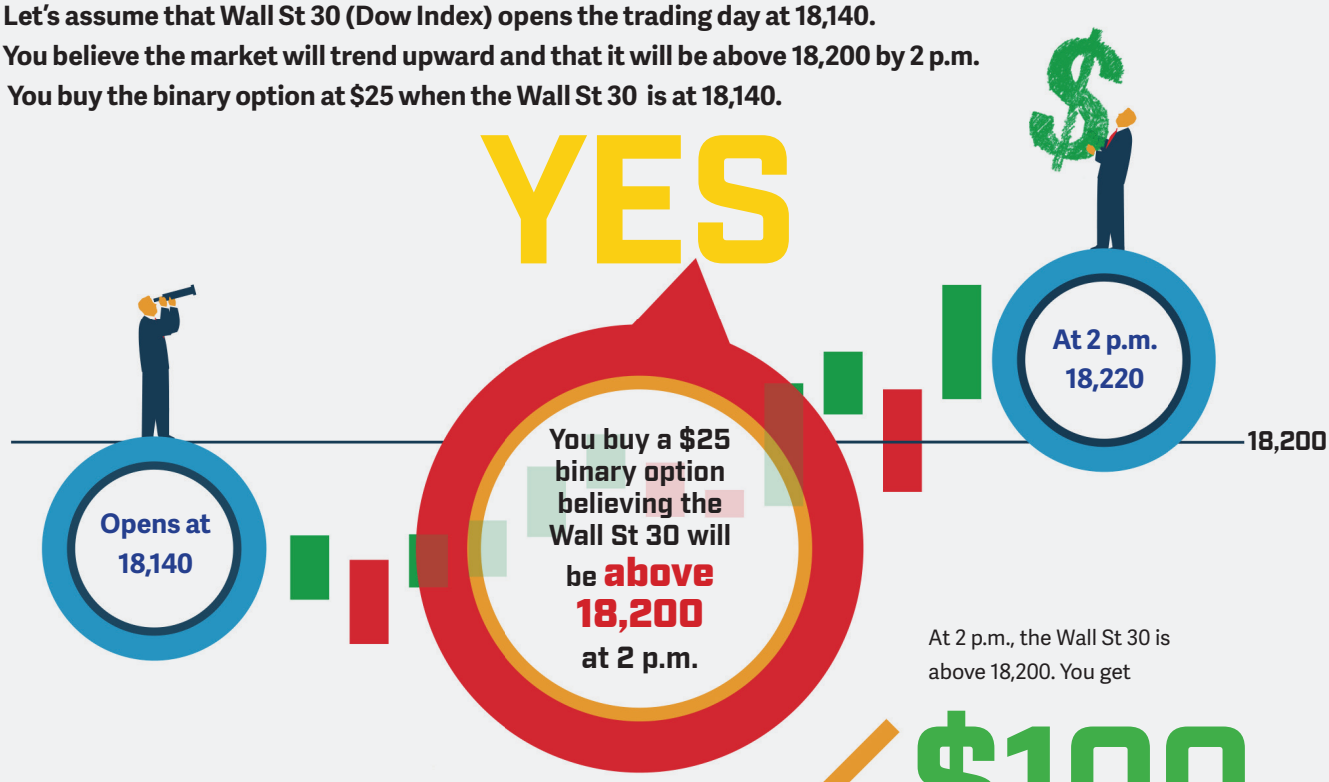
While some exchanges and brokerages charge additional fees for real-time data and advanced guidance, Nadex offers free, real-time data to both demo and live accounts, as well as free weekly webinars designed for both advanced and new traders.

SPECIAL ADVERTISING FEATURE

WHAT DOES A BINARY TRADE LOOK LIKE?

Let's assume that Wall St 30 (Dow Index) opens the trading day at 18,140.
You believe the market will trend upward and that it will be above 18,200 by 2 p.m.
You buy the binary option at $25 when the Wall St 30 is at 18,140.

YES



At 2 p.m., the Wall St 30 is above 18,200. You get

$100

Your profit is $73.20 ($100 minus your $25 purchase price, minus $1.80 in fees).

THAT'S IT. YOU RISK $25 TO MAKE $75

(NO)

If the index is below 18,200, you would get $0, but you've only lost the $25 you paid (plus a $0.90 fee).

Trading on Nadex involves risk and may not be appropriate for all investors.

LEARN MORE

To learn more about binary options and spread contracts, visit

Nadex.com/future

and request a free e-book. You can also visit Nadex.com/demo to open a demo trading account, and use this free tool to model binary option and spread contract trade scenarios in multiple markets.