



The Must-Know Guide to
Begin Future Options Trading

By Douglas Alessio

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Future Options Trading: Introduction

What investing vehicle is going to be your answer to financial uncertainties? Could it be future options trading? Perhaps, you are just dabbling in the possibility of trading and hoping to discern if this kind of system could work in your life. Maybe you want to incorporate new techniques and upgrade your participation as either an investor or a trader.

No matter where you stand today, you have the ability to construct a portfolio that could be put to work for you. All you have to do is develop a plan, and the World Wide Web affords you every resource at your easy disposal.

If you are looking to become a proactive component of your financial situation, the stock market holds enormous potential for you. Several years ago, these opportunities did not even exist. It's time to looking past the overwhelming sense of the unknown and dive in among the throngs of ordinary people who have rewritten their financial future.

Options trading is a practice that multiplies returns on investment and limits the overall risk attached to the rapid movement of the stock market.

With options trading, you are not buying the underlying stock itself. This investment allows you to bet on the price action of the stock at a future date and time without the risks attached to buying the underlying stock outright. With future options trading, you learn how price action moves over time, so you will decipher the uptrend from the downtrend. When you are capable of distinguishing the bulls from the bears, your future options trading strategy will land you on the right side of the winning trade.

By learning more about future options trading, specifically, you will be equipped with vital tools to increase the diversification of your portfolio and become a savvier trader. These techniques will help you develop a system that will enhance your abilities as a trader, since you will be capable of betting on the price action of the underlying with accuracy and conviction.

Future Options Trading: Definition

Future options trading involves the exchange of futures contracts, which specify a specific amount of a commodity and date in which a buy or sell could occur. The futures price will determine whether you are betting that the price of the commodity is going to rise or fall in your future options trading system, which will operate on a futures exchange.

This is a derivative contract because the value of the commodity is derived by the underlying value of the security and so represents an indirect transaction. The derivative of the future options trading contract can deviate from the typical commodities to incorporate underlying securities, currencies, and other financials.

Like any other market, price action is based on the pull between the supply and demand. When you have excess supply, the prices are going to drop and a bear market will most likely follow. Conversely, all the extra demand causes prices to soar, and more buyers want to get into the contracts.

This is true in any trading system – not just future options trading. And, also like other trading systems, the supply and demand will inevitably check itself because then stocks, even options, will then be deemed overbought or oversold.

The price action then checks itself and a key reversal marks a change of direction that can knock you outside of the winning position if you are not careful. While there is definitely risks attached and associated, if you know the signals during future options trading, then you can correctly bet on whether the supply or demand will be the catapult for price trending.

When you choose a business to buy contracts for future options trading, make sure you know the background before committing. Read the quarterly earnings statement, recent company headline news, as well as the overall financials and even 50-day chart pattern. When you get a feel for the directionality of the stock over time, you will have a much stronger concept for determining your future options trading system.

The date specified to determine the future options trading finalized price is the final settlement date or delivery date. The settlement price on this date will dictate whether or not you profited on your trade.



Future options trading trades by contract, but unlike options contracts, you don't just have the right to buy or sell but rather the obligation to do so. In other words, if you bet on the wrong side of the trade, you can't cut your losses by opting not to exercise your right. You must fulfill the obligation, so you have to be sure that you have effectively calculated this future options trading position.

The settlement date does not have to be reached in order for this transaction to even occur. The holder can alter the position by covering the short position or selling on a long. This allows you to close out the position of your future options trading before the delivery date. This can help traders avoid accruing a major loss or seize a significant profit opportunity.

Future options trading incorporates two distinct styles of hedging and speculating. Hedgers are trying to protect against the price fluctuations and associated risks of the underlying item. The speculators, on the other hand, are guessing on the directionality of the market on this future date.

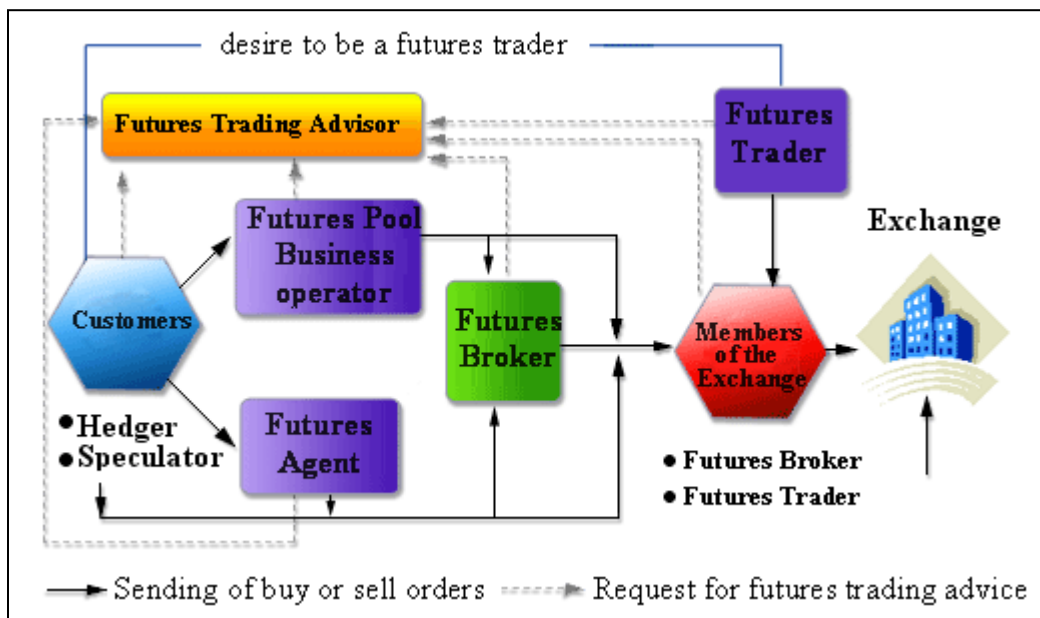
By successfully predicting market movement, the speculators capitalize with market gains through future options trading. The hedger subset usually wants to hedge the commodities' risks, including rising interest rates.

The focus of my special report is specifically on future options trading because options are so often traded exchanged on futures. As with regular options, you can choose to buy calls or puts, depending on the ratio of supply and demand and the toll that takes on the bullish or bearish market.

Here's the future options trading basic summary. The call option gives the holder the right to purchase the futures contract and represents a bullish play in which the buyer bets that the price will rise. The put option gives the holder the right to sell the futures contract and represents a bearish play in which the buyer bets that the price will drop. The strike price is the agreed upon value for the option on a specific date in the future – when this contract expires.

Unlike the normal options contract, future options trading requires that you exercise that right on the delivery date. You have less wiggle room to make mistakes and limit downside risk, and so you must truly understand how this market works in order to succeed.

If you were wondering exactly how this process of future options trading is executed, see the diagram below. With the advent of modern technology and the availability of any resource at the click of a button, this whole process completes itself in cyberspace nearly instantaneously.



Future Options Trading Figure 1

Everything associated with the future options trading contract is fixed and consistent, as specified by the trading exchange. The amount of the underlying product is predetermined, and the quality of that product is also a relevant and controlled factor depending on what the underlying is. The specific timeframe and decisive ending date of the trading period is not variable, nor is where and how the transaction settlement will occur.

This probably sounds less like future options trading and more like the antiquated notion of the farmer and the soybean salesman doing business. I suppose you can consider this more like going back to your roots, but the process is a bit more technical than all that. This type of financial transaction plugs you into the trade, and you have the opportunity to participate in future options trading because of the vast landscape of Internet technology.

You aren't showing up at any farms to complete your future options trading arrangement, either. The exchange house is the third-party that handles the transaction, and you know that the specifications of the trade are backed with 100% guaranteed reliability. By building your future options trading system around both futures and options, you have endless possibilities to cash in on profit potential.

Future options trading typically reaches expiration toward the month's end, just before the month of the underlying future contract's settlement date. The commodity is not the futures contract underlying. The option is tracking the price of the future – not the commodity.

This is important to differentiate as you plan your strategy. The futures price does adhere pretty strictly to the price of the commodity, but these are not identical measures. This can help you make exacted decisions in options trading and use the leverage to your best interest when future options trading.

By fixing the price of the underlying and making your bet about what that number will be, you have to be quite confident that you are landing the right side of the winning trade. When you bet the price is going to be bullish, you collect gains as the price continues to go up – and vice versa. This is all the mentality behind your lucrative future options trading system.

Future Options Trading: Examples



Commodities are highly profitable among the goods available for future options trading. You can bet on the market direction of products like corn and soybeans, the grains that may make headlines and thus indicate a certain shift in price directionality. You can then add this news into your portfolio management, as you wait for this future compelling news to pay out.

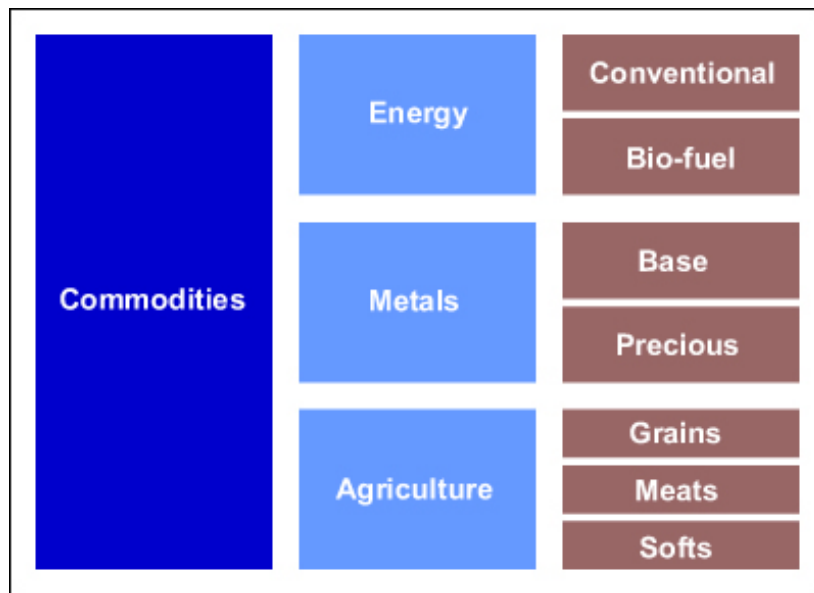
You have so many options, quite literally, on markets that offer you, the supreme ability to get ahead in the financial sector. I am sure you never thought you would have a very close relationship with live cattle, pork bellies, and energy contracts – yet all this and more are available through future options trading.

Next time you tune into the headlines and get information about the current status of crude oil and the economic data report on gold, unleaded gasoline, and even sugar, know that future options trading is churning out these headlines as a battle of the bulls and bears. You can even trade financials themselves, betting on the price action of bond futures, equity index futures, and currencies.

In the stock market, with future options trading and all indexes, there is always a place to make money. Whether you are going bullish or bearish, every moment is a good time to be making money. You just need to

know how you want to establish your own future options trading style and match your strategy to the portfolio objectives you have. This will help you determine whether you want to trade in shorter or longer-term ranges, and you can also garner more insight about how trending typically works. Different markets will trend in different ways, so once you begin to try out future options trading, you will better understand how these markets move together.

If you want a visual idea of the many products you can choose from for future options trading, look at the figure below to see how these goods are broken down for market trading.



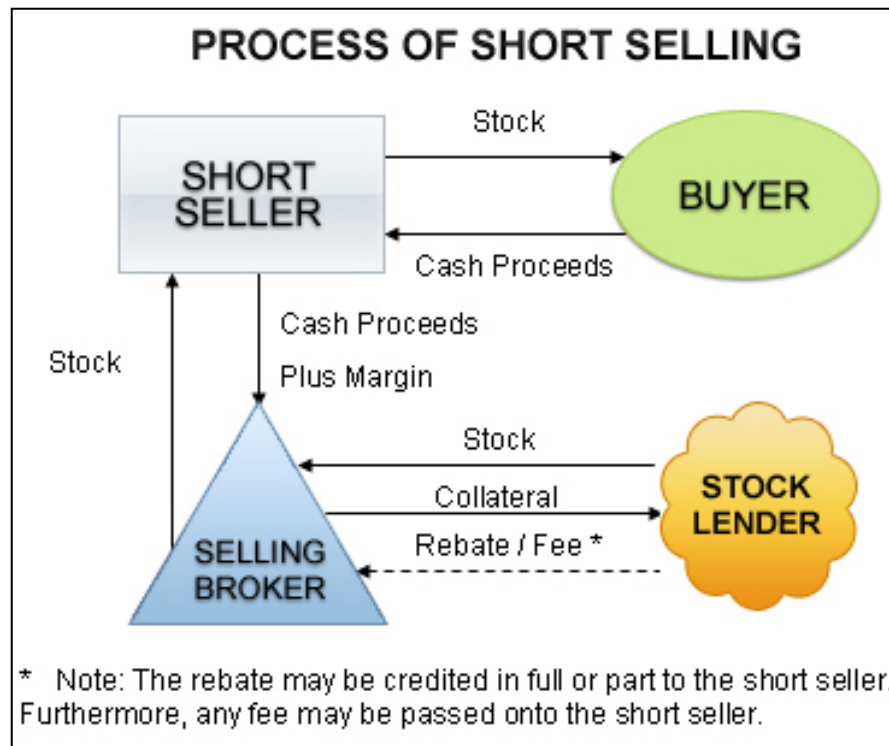
Future Options Trading Figure 2

I already mentioned a variety of these subtopics, but now you can see just how much you can even breakdown commodities to find the trading instrument that is right for you. Regardless of the product, the most important facet of your future options trading system is distinguishing the bull markets from the bears.

Future Options Trading: Benefits

The amount of time you decide to dedicate on future options trading is up to you. For that matter, your level of involvement is your decision as well, since you can opt for either a full-service broker or deep discount. This practice is not supposed to cramp your lifestyle nor should it replace your traditional mode of income. The more experience you develop, however, the better able you will personally be as a savvy trader. So, whether you would prefer to spend hours a day or a couple of minutes, you can still opt for future options trading.

You have a lot of techniques in your investing portfolio that will come in handy with your future options trading system. In particular, you can take the bearish position of short selling in futures. You don't even have to own the underlying stock. This is how the process of short selling works:



Future Options Trading Figure 3

With short selling, you borrow the funds from the broker on the terms that you will repay that fund back at some specified point in the future. You are expecting the price to go down, and for your future options trading strategy, you are taking a gamble with a bearish position to pocket the price difference.

Future options trading is a great venue for the successful short sell because the price action is rapidly changing. Furthermore, future options trading does not require that you hold off until the up-tick to take this short position, an inconvenience of the stock market.

While you have to bet on the right side of the winning trade, it's not an arbitrary guessing game. As you learn more about creating the actual future options trading system, you will realize just how many indicators help you locate the winning position. From headline news and current events to candlestick patterns and technical analysis, tools in your trading arsenal can help you turn future options trading into a mega return on your investment.

Future options trading is not identical to regular options trading. Future markets give you extraordinary access to the overall market because of the price valuations that give you price tag stickers across the board for commodities and products.

While both represent contracts rather than products, I have already mentioned that future options trading requires the purchase while options trading does not. The futures agreements have a wider range of goods that can be exchanged and are also implemented to hedge against risks – including the effects of unexpected weather conditions.

With the spillover of global economies, the price value of every market affects the trending and performance of other markets as well. On this international scale, you can begin to benchmark the performance of the broader market through a future options trading strategy that pinpoints how the bigger picture is operating.

Margin trading is a key benefit in future options trading. This increases the amount of leverage in the play, which is highly appealing to traders. The major downside risk with this strategy comes from being inexperienced and making plays that you don't fully understand. The better you recognize what you are doing, the more confident you can be that you have executed a trade with success and strong profit potential.

When you are utilizing a future options trading system with leveraged margin buying, avoid the futures contracts that are highly volatile. I also suggest that you employ spread strategies to capture the price

discrepancies in the market to pocket profits. You can buy and sell contracts using vertical, horizontal, and diagonal spreads.

This future options trading approach will allow you to keep the price difference as you are betting on the price action of commodities and goods. Learning more about how to trade with spreads will help build your portfolio stronger with more diversification and less associated risk. You get much more leverage trading margins in futures than in the normal stock market, and you will have more control with your investment. This is true even if you are not investing a lot of money.



Future Options Trading: Conclusion

Future options trading is neither a guessing game, nor a lottery left up to chance. In fact, if you understand the science behind future options trading, you will realize that there is a method to the madness. The tickers on Wall Street may radiate a vibe that is frenzied, fast-paced, and ever-changing. While the markets are in constant flux, the best traders deploy systematic strategy to successfully master the future options trading winning plays.

Japanese Candlesticks aren't modern home accent decorations. If you know how to utilize this commanding technical analysis instrument, you can guarantee success in future options trading. Candlesticks aren't anything new, either. The Japanese began employing this technique in the 18th century. In the 1990's, when brokers began to dominate the great wealth on Wall Street, this technique offered a firsthand glimpse into how stock prices moved.

You can find an abundance of future options trading tips that map out how to decipher these patterns. I don't want to bog you down with hundreds of patterns as formulaic as 10th grade math. You don't need to read the volumes of literature on the subject. If you know how to listen to the markets, the technical analysis results will tell you exactly where to put your money.

I happen to think that the market is less like a lottery and more like a code. Crunching numbers and reading indicators can validate and direct your trades. You have the opportunity to capture enormous gains at the click of some buttons with future options trading. Brokers may execute and participate in this process, but ultimately, you are capable of moving with the market to follow the smart money.

These strategies may seem highly complex. The truth is, amateur and professional investors alike tend to falter over the most basic things. Even the masters of technical analysis, the chartists, and the candlestick readers often stumble on the building blocks – the timing, the chasing of prices, and even dangerous emotional attachments.

Whether you are a seasoned trader who got richer off of Freddie Mac's decline, or you are hopelessly scouring Investopedia for help, you now have the rudimentary building blocks to move forward in future options trading.

Future Options Trading: About the Author

Douglas Alessio is known by colleagues and friends for his wry sense of humor and edgy market commentary. With his signature voice in future options trading, Alessio distinguishes himself among financial journalists, delivering financial news with both market savvy and eloquence. Alessio educates his reading audience, amateur and professional investors alike, on how to consistently and effectively capture market gains, particularly through future options trading.

Douglas was born and raised in northern Virginia on the outskirts of Washington D.C. Both his parents being native New Yorkers, Alessio frequently visited his large extended family in the City and aspired to someday move there himself. Douglas thrived academically because of his go-getter attitude, and he found his true calling when he launched the first editorial newspaper in his high school. He contributed to several publications throughout his college education.

Alessio was always a jack-of-all-trades – before he found his niche in the ‘trade’ of future options trading itself. In college, Alessio studied within an interdisciplinary program, an application-based and competitive program that offered him the unique ability to study many disciplines. He had the opportunity to take several years of Latin, write a forty page paper on Dracula, and even studied abroad for a semester in London. At this point, Douglas began to focus more on economics and latched onto the enormous possibilities in the financial industry and future options trading. Fascinated by investment strategy, he knew that he would not only wind up in New York City, but would also take Wall Street by storm.

By embracing a more global perspective, Alessio places a strong emphasis on the spillover effect of world economies. Douglas also insists that investors can always locate the winning side of future options trading through the proper balance of market knowledge, common sense, and emotional detachment.

Douglas’ stock market reports range in strategy and technique, but the author consistently encourages limiting downside risk through portfolio diversification, candlestick reading, technical analysis, and timed entry and exit strategy for future options trading.

Today, Douglas Alessio is a contributing financial journalist at Gryphon Daily. He has produced countless special reports, including *Crush*

Terrorism – grab 585% Gains, Hot Profits from Natural Gas, How to Spot the Next Enron, Subprime Winds, and Top Secrets of a Guru Trader. These reports and others are available to the members of Gryphon's premium services.

Alessio met Gryphon's Founder, Kenneth Maseka, while working on Wall Street and joined his team in 2007. Prior to that date, Douglas developed a keen knowledge of the future options trading industry while honing his instinctive sense of the market.

Alessio obtained his undergraduate degree at the University of Virginia and his Masters in Business at the University of Virginia's Darden School of Business. After passing the Series 7, Alessio worked as both a financial writer and stockbroker for nine years before shifting his focus toward strategy-driven client services and future options trading systems.

Douglas, 35, has realized his goal to live and work in New York City, surrounded by his family and friends. He is happily married to his wife Diane, and the couple welcomed their first son this year. In addition to their brownstone in the city, the Alessio family enjoys spending time at their upstate log cabin, a property on the Hudson River in Lake George.