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Comprehensive Information about Forex Options Trading by Rill Bell

Article published on February 18th 2012 | Investing

Forex options trading is a security allowing the currency traders to recognize profits without having to buy the underlying currency pair. By integrating leverage, forex options expand returns and fix a firm negative risk level. Alternatively, the traders of options can hold them next to the underlying Forex pair to fasten the profits and minimize risk. Here restraining the upside probability is generally essential for capping the downside. The opportunity to trade for options is not provided by all retail Forex traders. Therefore, the retail Forex traders are required to perform a research to locate the brokers who are interested on using these options. Many retail Forex brokers do not permit the Forex traders to sell contracts of options without elevated levels of capital for protection, because there is much risk linked with writing options.

Process of Forex Options Trading:

Recognized as the most versatile trading instrument, the cost of forex options is much less than the underlying currency pair. With restricted downside risk, they provide an elevated upside move to trade. Options are of two kinds: â€œcall optionsâ€• and â€œput optionsâ€•. With â€œcall optionsâ€•, the t right to purchase and with â€œput optionsâ€•, he has the right to sell the underlying currency. It should be remembered that here the traders do not have an obligation; in fact they have a right to buy/sell the underlying currency at a particular price on a particular time. The traders engage in â€œcall optionsâ€• when it is predicted that the price of underlying currency is likely to rise up. On the other hand, the traders engage in â€œput optionsâ€• when it is predicted that the price of the underlying currency is likely t fall.

While buying, there is no margin requirement since the risk is restricted to the price of the option. By exercising options, the traders can buy or sell the underlying currency and the price at which the option is bought or sold, which is called the strike price. Expiration date is the date on which the option expires. The price of the option which is called premium is influenced by number of factors, such as the current price of the instrument, type of option, the strike price of option, volatility and the remaining time till expiry.

Buying forex options on currencies permits the traders to gain from the elevated upside potential along with restricted downside risk. Due to the risk attached with these options, many Forex traders do not engage in forex options trading, due to which they do not get acknowledged in the retail currency world. This is unfortunate for the investors, since options prove to be an excellent approach to diversify risk and hedge the investorâ€™s spot position. The investors can also make use of options while speculating short term and long term market views.

Article Source:
http://www.articleside.com/investing-articles/comprehensive-information-about-forex-options-trading.htm - Article Side

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Rill Bell is an experienced trader of stocks, currencies, commodities and many more. In the wake of rising popularity of a forex options trading , he offers all kinds of updated market news, strategies and tips related to a forex options through his website. Visit the site to expand your knowledge base.

Article Keywords:
Forex Options, Forex Options Trading

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