

CHAPTER 1

THE REALITY CHECK

Understand the Game Before You Trade

Most beginners enter binary options looking for quick profits. The first step, however, is not learning how to click **CALL** or **PUT**.

It is understanding **what you are trading, how the platform works, how the mathematics works, and why discipline matters.**

THE GOLDEN RULE

Understand the game before you risk money on the game.

1.1 WHAT ARE BINARY OPTIONS?

A **binary option** is a fixed-time financial contract with two possible outcomes: **You win a predetermined payout or you lose your stake.**

 Binary Option at a Glance

Element	What It Means	Simple Example
 Asset	What you are trading	EUR/USD

Every trade asks one basic question:

Will the price finish ABOVE or BELOW my entry price when the timer expires?

CALL vs. PUT

Button	Meaning	Your Prediction
 CALL / UP	Higher	Price finishes above entry
 PUT / DOWN	Lower	Price finishes below entry

SIMPLE TRADE EXAMPLE

Suppose you place a **\$10 CALL** on EUR/USD with a **5 minute expiration** and an **85% payout**.

Result	What Happens
 WIN	\$10 stake + \$8.50 profit = \$18.50
 LOSS	\$10 lost
 Exact entry	Settlement depends on platform rules



Remember

Direction + Timing = Outcome

 A SHORT HISTORY

Binary options developed from financial contracts originally used outside the retail market and later became accessible to individual traders.

Period	Development
Before 2008	Primarily used as over-the-counter contracts
2008	Exchange-traded binary options became available in the U.S.
Later years	Online platforms introduced fast, fixed-time formats
Today	Regulatory treatment differs significantly by jurisdiction

 **Always verify the laws and regulations that apply to you before trading.**

 BINARY OPTIONS VS. TRADITIONAL TRADING

Feature	Binary Options	Traditional Trading
 Main decision	Direction by expiration	Position direction
 Time	Fixed expiration	Often flexible
 Risk	Fixed stake	Depends on position & stop
		Depends on price

 THE BIG DIFFERENCE

Time is part of the trade.

You can correctly identify the direction and still lose if the timing is wrong.

1.2 THE QUOTEX PLATFORM

Your Trading Arena

Quotex is the platform through which users access binary and digital options. Think of it simply:

Concept	Meaning
 Binary option	The trading instrument
 Quotex	The platform/interface

 KEY PLATFORM FEATURES

Feature	Beginner Explanation
 Minimum deposit	The platform has historically offered a low entry requirement
 Minimum trade	Small trade sizes are available
 Demo account	Practice using virtual funds

 **Your demo account is your training ground.**

 PLATFORM RISK

A simple trading interface does not remove platform or counterparty risk.

Before depositing:

Check	Why It Matters
 Verify terms	Know the conditions
 Check regulatory status	Understand your protections
 Check legality	Rules differ by country
 Complete verification	Protect account access
 Understand withdrawals	Know how funds are withdrawn
 Test carefully	Avoid committing large amounts immediately
 Protect capital	Never risk money you cannot afford to lose

Treat a platform as a business counterparty not a friend.

1.3 THE MATHEMATICS OF THE GAME

Why 50% Is Not Enough?

Binary payouts are **asymmetrical**. If you risk \$10 with an 80% payout:

Outcome	Result
 WIN	+\$8 profit
 LOSS	-\$10
 Break-even	Requires more than 50% wins



BREAK-EVEN EXAMPLE

A simple break-even calculation is:

$$1 \div (1 + \text{payout})$$

For an 80% payout:

$$1 \div 1.80 = 55.56\%$$

So approximately **56 wins out of 100 trades** are required to break even, before considering other costs or conditions.



THE LESSON

Being right half the time does not automatically

1.4 THE ILLUSION OF EASY MONEY

Social media often presents trading as effortless:

What You See	What You Don't See
 Luxury cars	Trading losses
 Profit screenshots	Losing trades
 Huge win rates	Sample size
 VIP signals	Risk involved
 Lifestyle posts	Hours of practice
 Fast profits	Emotional pressure

 THREE MYTHS TO REMOVE

Myth	Reality
 Magic indicator	No indicator guarantees profits
 Guaranteed signals	Future trades cannot be guaranteed
 Passive income	Trading requires discipline and active decision-making

Trading is a high performance discipline not a shortcut to wealth.

1.5 🎲 GAMBLING VS. PROFESSIONAL EXECUTION

The difference is primarily **decision-making and discipline**.

 Gambling Behavior	 Professional Behavior
Gut feeling	Tested setup
Trades to recover losses	Accepts losses
Too many indicators	Clean, understandable chart
Trades from boredom	Waits for opportunity
Blames the market	Reviews the process
Increases risk emotionally	Controls risk

MARKET TRAPS

Price can create situations such as:

- False breakouts
- Liquidity grabs
- Failed support/resistance breaks
- Sudden reversals

The beginner may enter immediately.

The disciplined trader waits for evidence.

1.6 🧠 THINK IN PROBABILITIES

Stop Trying to Predict Every Candle

No trader knows with certainty what the next candle will do.

The goal is therefore not:

❌ "I know this trade will win."

The goal is:

✅ "This setup has a favorable probability based on my rules and testing."



THE PROBABILITY MINDSET

Emotional Thinking	Probability Thinking
"This must win."	"This is one trade in a series."
"I can't lose again."	"Losses are part of the distribution."
"I need to recover."	"I follow my risk rules."
"The strategy failed."	"I need enough data to evaluate it."
"I'll increase the stake."	"I maintain consistent risk."

Imagine historical testing shows that a setup wins **7 out of 10 times**. That does not mean the next trade must win.

1.7 WHY BEGINNERS FAIL

Three problems repeatedly damage beginner accounts.

OVERTRADING

Problem	Survival Rule
Trading because you're bored	Wait for quality setups
Entering weak setups	Follow predefined criteria
Trading too frequently	Set a daily trade limit

SNIPER RULE

Wait for the setup. You do not need to trade every movement on the chart.

REVENGE TRADING

Problem	Survival Rule
Losing a trade	Accept the loss
Becoming emotional	Step away
Increasing the stake	Keep risk consistent
Trying to recover immediately	Wait until the next session

WALK-AWAY PROTOCOL

Two consecutive losses → Stop trading for the day.

 IGNORING RISK MANAGEMENT

Never treat a trade as a "**sure thing.**"

Account	1% Risk	3% Risk
\$100	\$1	\$3
\$500	\$5	\$15
\$1,000	\$10	\$30
\$5,000	\$50	\$150

A conservative fixed-risk approach allows an account to survive losing streaks while you continue learning.

 **Protect your capital first.**

 ACTION STEP

Complete these three exercises before continuing.

Step	Task	Objective
①	Open a demo account	Learn the platform
②	Write the five building blocks	Test your understanding