

# MAKING A FORTUNE

from **Fixed Odds Financial Trading**

VINCE STANZIONE



**Bet On Markets**  
Profit from your predictions

# **Making A Fortune**

## From Fixed Odds Financial Trading

Vince Stanzione

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By Vince Stanzone

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# *Introduction*

**W**elcome to “Making A Fortune From Fixed Odds Financial Trading”. My name is Vince Stanzione. For the past 23 years, I have been involved in financial markets. I have worked for various banks and brokers in the City of London, both in Equities and Foreign Exchange.

For the last 18 years I have successfully traded my own money as well as teaching others how to trade. This has given me the freedom to live and “work”, if that’s the right word, from anywhere in the world, with no boss or the usual hassle that normal businesses face.

During my career I have traded millions of dollars both for my previous employers and with my own money, using financial instruments such as futures, options, warrants, swaps, CFDs and in the UK, financial spread betting.

The aim of this book is to give you an introduction to trading with BetOnMarkets.com using Fixed Odds Financial Bets.

[Open an account and collect a free £20 trade](#)

In my view, fixed odds trading offers an excellent way to trade markets with small limited stakes yet with big potential gains. Today, thousands of men and women from all over the world use BetOnMarkets.com to place trades on currencies, shares, indices and even the price of gold.

## **Breaking down the establishment – Out with the old and in with the new**

Until the last 5 to 10 years, it was very difficult for private clients to start trading as they had to use the same strategies as large banks and financial institutions. Many of these strategies would require you to lodge large deposits and take risks which you or I would not want to take. Most clients would be encouraged to just buy shares or mutual funds and engage in buy and hold type strategies.

Thanks to the internet and BetOnMarkets.com, the money making “club” is now open to everyone, regardless of where they live, what they do for a living or how much they earn. With nothing more than a BetOnMarkets.com account and internet access, the financial markets today allow you to take on and beat the financial big boys at their own game. Just think of how you can be sitting on a beach and still be trading, because many PDA’s such as the iPhone and mobile phones are powerful enough to trade from.

## *Getting started*

**L**ike any new subject, at first it can all seem a bit strange and difficult. My aim is to keep the jargon down to a bare minimum and use as many examples as possible from my own trading experience to help explain the various bets and strategies.

Don't worry if you do not understand it after one read. I encourage you to re-study and use a Virtual Trading Account to practice before you trade with real money.

This great feature is offered free by BetOnMarkets.com. So as the old saying goes, “you can eat an elephant if you take one bite at a time”, you too can learn how to trade profitably using fixed odds bets if you take it step by step.

### **Starting with the basics**

Most investors are conditioned into making money by buying something low and selling it high. This may be well and good in the long term but as traders we need more flexibility.



With BetOnMarkets.com you can profit from a market going up, down or even sideways, a concept that not even seasoned traders understand.

So let's take a look at the basics and then I will show you the specific bets offered:

- **Higher/Lower Bet**

For many, this bet type is the easiest to understand. You're either buying low and selling higher or you're selling first and then buying back later, depending on whether you choose to predict that the market is going to move upwards or downwards over the next few minutes, days or even months.

In the stock market "short selling" is not recommended as it carries risks and, in fact, most brokers will not let you sell short. However, with BetOnMarkets.com, you can as easily place a higher/lower bet and control your risk. So if your view that the Wall Street Index is going to plummet turns out wrong then you can walk away with a loss of no more than your stake.

- **In/Out Bet**

This is another concept which may sound a little strange but can be very profitable. Again, unless you have access to a traded options account and a hefty bank balance, making money from a range was nearly impossible until now.

The In/Out bet comes in two varieties: "Stays In/Out", where the market must stay between or go outside the price targets

anytime during the bet period; and “Ends In/Out”, where the market must end between or outside the price targets at the bet end time.

Let's say you expect the EUR/USD to stay between 1.50 (high) and 1.30 (low) in the next 10 days using a Stays In/Out Bet . As long as at the end of your bet the EUR/USD is within that range, you will be paid out in full.

On the other hand, let's say a market has been consolidating (going sideways) for a while and you want to bet that the market will break out, either up or down. This is possible with an Ends In/Out Bet. If the market ends between or outside the range you specified, you will be paid out in full.

## **What's the difference between Spread Betting/Futures and fixed odds?**

Some of you may have heard of futures trading or financial spread betting. You may also have heard about the high risks that are involved in these types of trading. Spread betting allows you to profit from a market going up or down. The more correct you are the more you make, the more wrong you are the more you lose. Most spread bets have a stop loss, so if the market moves a certain amount of points against you, you would be stopped out.

This protection makes sense, but what happens to many traders is that they have the right trade but they are stopped out due to a short term contra movement.

Let's say you think the GBP will strengthen against the USD and use a spread bet with a stop loss of 100 points away. The trade starts off going in your favour, but due to an unfavourable economic release the GBP drops just below your stop before rebounding.

This means that your bet is over and you have lost.

The main advantage of a fixed odds trade over a spread bet with a stop is that the position cannot be stopped out early (apart from a Touch bet), which means that it could go wrong but then rebound and finish in profit.

Another difference between a fixed odds and a spread bet is that you can still make a big gain with just a small market movement.

Take the example of a Rise/Fall (100% return) trade on gold at BetOnMarkets.com and a similar duration spread bet. The objective in each case is to win GBP100 clear profit if the market moves upwards. The fixed odds position would pay out if the price finishes higher than the entry point plus the spread. With the market at USD833 and a spread of USD1, this means that a bet costing GBP100 would give GBP100 in profit as long as gold ended the day anywhere above USD834.

An equivalent one-day spread bet with a stake of GBP3 per point would require a stop 33 points below the current price to limit the potential loss to GBP100. This runs the risk of being stopped out early and would only make GBP100 profit if the price

finishes 33 points higher.

For my own trading I use fixed odds, spread betting, covered warrants, margined FX and options. Like a mechanic with a toolbox that uses different tools for different tasks, we as traders must use different products to back different scenarios. In many cases I will have a fixed odds bet and a spread bet running together.

What I am certain of is that many new traders with smaller accounts using spread betting to trade markets such as the Dow Jones Industrials, FTSE100 or S&P500 would be far better off using a fixed odds bet than a spread bet.

## Opening an Account

Before we go into the ins and outs, now would be a good time to open an account with BetOnMarkets.com if you have not already done so.

The process is fairly simple and you can normally get it done within around 5 minutes, so don't worry: it's not like going to see the bank manager or the dentist!

From the front page you will see a SIGN UP button, you will then see a button to select REAL or VIRTUAL, I suggest you sign up for both, so you have a virtual account to test ideas on and a real account to do your real money trading.

## Account Opening

Open either a Real Money or Virtual Money account and get started.



### Real money account

Open a [real money](#) account and make a deposit using credit card, bank wire, cheque or e-cash. Accounts are available in dollars, pounds and euros. The minimum deposit is (\$/£/€) 5 and the maximum account is (\$/£/€) 150,000.

[Open Now](#) ▶



### Virtual money account

Want to practice some bets before you try for real? Open a [virtual money](#) account now, all you need to provide is your email and password.

[Open Now](#) ▶

Here are the top 5 frequently asked questions during account opening:

### 1. Is my money safe?

In today's financial environment that is a valid question, so let's take a look at whom we are dealing with. BetOnMarkets.com is owned by the Regent Markets Group which is a multi-million dollar group of companies. BetOnMarkets.com has been in business since 1999 and has traded over 15 million transactions with over 300,000 clients worldwide. BetOnMarkets.com has no debt and is cash positive.

### Note:



Whilst virtual accounts are good to start with, I advise moving to trade with real money within a few weeks. I have seen many new traders spending months with virtual accounts and never start making real trades.

The company has won various awards, such as “Best Fixed Odds Firm” in 2008 by Investor Chronicle and “Best Fixed Odds Financial Provider” in 2007, 2008 and 2009 by Shares Magazine. It has also won the eGaming Review award for Financial Betting Operator of the Year in 2009 as well as the 2010 Trade2Win Members’ Choice Silver Award for Best Fixed Odds Broker.

The company is licensed in the Isle Of Man and Malta. BetOnMarkets.com does not extend credit to clients. All bets are paid with cash upfront.

## **2. Will my account be closed down if I make money?**

I have made a considerable amount of money with BetOnMarkets.com and I have never had a problem. What you need to understand is that, BetOnMarkets.com still makes money even if you win by charging a small commission, which is either built into the price of the bet or in the spread.

Clients also off set each other, so one client may bet the Dow Jones to go up and another client may bet down, BetOnMarkets.com acts as the middle man and makes a small margin on both. Unlike traditional banks and brokers, BetOnMarkets.com is an internet based platform that runs with far lower costs. The business is based on high volumes with small profit margins which is good news for us as traders.

## **3. Do I need a credit card to trade?**

No, not at all. A BetOnMarkets.com account can be funded in

various ways that do not require you to use a credit or debit card.

For those that do wish to use a credit or debit card, rest assured that the site has the highest level of encryption and anti-fraud measures that protect both the client and BetOnMarkets.com.

#### 4. How do I get my winnings?

When a trade settles you just need to click a button from your account to close the trade and take your winnings. This sum is then credited to your BetOnMarkets.com account.

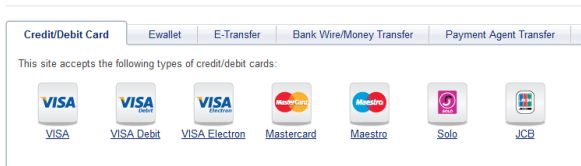
If you wish to withdraw money, this can be done online via the Cashier button. Funds can then be paid back to your credit card or bank account.

#### 5. Currency

You can choose to trade in GBP, EUR or USD.

##### Withdrawal

Your account balance is: AUD10.00. You can withdraw funds from your account via any of the methods below:



The screenshot shows a withdrawal interface with a horizontal menu of options: Credit/Debit Card (selected), Ewallet, E-Transfer, Bank Wire/Money Transfer, and Payment Agent Transfer. Below the menu, a text box states: "This site accepts the following types of credit/debit cards:". Underneath, there are seven icons representing different card brands: VISA, VISA Debit, VISA Electron, Mastercard, Maestro, Solo, and JCB.

**Note:**



The way you are paid back may depend on how you funded your account.



# *Ways to back the market*

In this section I will look at specific bets offered by BetOnMarkets.com. Remember to check the website often as new bets are added regularly.

## **Bets offered**

There is a wide variety of bets available at BetOnMarkets.com. Here are some examples:

### **1. Rise/Fall**

These are available over short or long durations from 30 seconds up to 360 days and will pay out if the market rises or falls over the specified time. They allow traders to take advantage of very short-term or long-term trends.

Short-term rise/fall bets work well, for instance, on US markets such as the Dow Jones, S&P500 and NASDAQ, especially around market moving news events such as the FOMC interest rate meeting announcements.



## 2. Higher/Lower

These exposures pay out if the market is either above or below a certain specified level at the end of the bet, which could be hours, days or even months later. They are suitable for taking a directional view of the market or hedging an investment portfolio.



### 3. In/Out

Chartists can use these to make money when the market either finishes between a high (resistance) and a low (support) barrier or outside this range respectively.





#### 4. Touch/No Touch

A Touch bet pays out if the market hits the specified level within the chosen time frame, while the No Touch is the exact opposite. They can be used in a number of ways, including backing a breakout from support or resistance.





## 5. Up & Down

These are a pure volatility play, which pay out if the market touches either the higher or the lower level within the lifetime of the trade. Some traders use it with wide boundaries ahead of an important economic announcement in anticipation of an extreme move in either direction.



**RUN BET UP/DOWN**  
**Double your stake!**

**RUN BET** | Lucky 10 Digits | Quick 10% | Stats

Double your stake if you can predict whether the market will move UP or DOWN after 5 ticks.

**Amount you wish to bet:**

Currency : AUD ▾

Stake : 5 ▾ + -

Market : Random Index 75 ▾

Your prediction, the market will move :

UP ▾ Go

**Note:** There is a 5% commission on any winnings.

## What can I trade?

New markets are always being added but the main markets are:

### 1. Currencies, FX or Foreign Exchange

Foreign Exchange or, as it is known, the FX market, is one of the biggest in the world, no trading floor exists. Banks, brokers, companies and governments trade between themselves using hi-tech computer networks such as those offered by Reuters and Bloomberg.



It is hard to comprehend the amount of money that trades in a day, around \$3.2 trillion a day (Bank for International Settlements (BIS) in Basel, Switzerland). Out of this, around 10% are companies trading overseas that need to convert currencies such as import/export businesses, the rest is pure speculation.

So what is trading currencies all about?

Many of us have traded currencies in a small way. If you have been abroad, you would have bought Swiss Francs, Euros, US Dollars, etc.

Now when you are looking to buy a currency, say Euros, you are looking for as many Euros to your Pound (or home currency) as possible, so you would rather have 1.40 to the Pound rather than 1.10, so you are buying HIGH.

When you come back with your un-spent Euros and you want to change them back to Pounds, you are looking for the lowest figure so you are selling LOW.

In the Foreign Exchange markets no actual notes change hands, it's all paper transactions. The actual principal amount of money never changes hands, you are only trading on a small percentage change.

With BetOnMarkets.com you can trade the FX market 24 hours a day, 5 days a week with very small stakes.

The main currencies are:

- AUD/JPY (Australian Dollar – Japanese Yen)
- AUD/USD (Australian Dollar – US Dollar)
- EUR/AUD (Euro – Australian Dollar)
- EUR/CAD (Euro – Canadian Dollar)
- EUR/CHF (Euro - Swiss Franc)
- EUR/GBP (Euro – British Pound)
- EUR/JPY (Euro – Japanese Yen)
- EUR/SEK (Euro – Swedish Krona)
- EUR/USD (Euro – US Dollar)
- GBP/AUD (British Pound – Australian Dollar)
- GBP/CAD (British Pound – Canadian Dollar)
- GBP/Swiss (British Pound – Swiss Franc)
- GBP/JPY (British Pound – Japanese Yen)
- GBP/USD (British Pound – US Dollar)
- GBP/NOK (British Pound – Norwegian Krone)
- GBP/PLN (British Pound – Polish Zloty)
- GBP/SEK (British Pound – Swedish Krona)
- NZD/USD (New Zealand Dollar – United States Dollar)
- USD/CAD (United States Dollar – Canadian Dollar)
- USD/CHF (United States Dollar – Swiss Franc)
- USD/CZK (United States Dollar - Czech Republic Koruna)
- USD/JPY (United States Dollar – Japanese Yen)
- USD/NOK (United States Dollar – Norwegian Krone)
- USD/SEK (United States Dollar – Swedish Krona)

Tip:



Currencies are a good place to start. They trade 24 hours a day and because the market is so large you always have buyers and sellers. This means that the spread (difference between the buying and selling price) is extremely tight, which in turn means your breakeven on a bet is low. Also there is always something going on in the currency market.

## 2. Indices

BetOnMarkets.com offers a range of world indices. Due to copyright, the names of the markets may look slightly different but they are based on the same index. For example the Wall Street Index is the Dow Jones Industrial Average.

Some of the Indices you can trade:

- Australian Index
- Belgium Index
- Canadian 60 Index
- Dutch Index
- Euro 100 Index
- Euro 150 Index
- French Index
- German Index
- Hong Kong Index
- Irish Index
- Italian Index
- Japan Index
- Korea Index
- Singapore Index
- Spanish Index
- Swedish Index
- Swiss Index
- UK Index
- US SP 500 Index
- US Tech 100 Index
- US Tech Composite Index
- Wall Street Index

### 3. Gold

BetOnMarkets offers a 24 hour price on gold, priced in USD.

### 4. UK Shares

A selection of leading UK shares including Barclays Bank, Tesco and BP.

### 5. US Shares

A selection of mainly US technology shares including Intel, Microsoft and Google.

## How are bets priced?

The aim of this book is not to go into advanced mathematics so I will keep this as simple as possible. Earlier, we mentioned financial spread betting. Spread betting would live in the Financial Futures family.

Fixed odds bets live in the Options family and many of the pricing models used come from traded options.

When a fixed odds trade expires, the position will either succeed and payout the preset winnings, or fail and pay nothing. Some BetOnMarkets fixed odds bets may be sold back before expiry just as a traded option may be bought or sold before expiration.

Fixed odds bets are all based on options pricing models. The most important inputs into these complex formulae are the type of bet, predicted volatility, time to expiry, and the price of the

underlying market compared with the boundary condition.

In simple terms: the greater the likelihood of a bet succeeding, the higher the price that BetOnMarkets will charge for a given level of winnings.

This also means that the potential profit as a percentage of the cost is correspondingly lower. Before placing the bet you can price different scenarios and see the effect on the odds, all in real time.

If you ask for a bet to be priced and the return is 900% you have to wonder why BetOnMarkets is being so generous. What it means is that the chance of a payout is very unlikely.

On the other hand if you ask for a bet to be priced which is so predictable, the BetOnMarkets system may not give you odds or the odds may be just a few percent.

The BetOnMarkets website includes the purchase price of the bet in the winnings figure, so the potential profit is actually the payout minus the cost. For example, if a trade to win GBP100 costs GBP25, the potential profit is actually GBP75, which represents a potential gain of 300%.

One of the secrets of being a profitable trader is balancing the risks and rewards. Take too much risk (outside chances of a payout) and you will end up with very few successful trades. If you take too little risk (high chances of a payout) you will end up with more winning trades but with lower returns.

The odds that BetOnMarkets are offering can be inferred from the cost of the bet relative to the potential winnings. For example, a bet priced at GBP38.50 to win GBP100 implies that the probability of success is 38.5%. A higher cost would mean a greater chance of success, hence the lower potential return. This same information can also be presented as fractional odds, decimal odds, or a binary price.

Fractional odds such as 3/1 mean that, for every GBP1 staked, GBP3 in addition to the one being risked will be returned if the bet wins.

Take the previous example of a trade of GBP38.50 that would win GBP100 including the return of the stake. The fractional odds in this case would be 8/5, as multiplying the stake by the odds gives the net winnings of GBP61.50.

These same odds can also be expressed in decimal format, which in this case would be 2.60. This is worked out by converting the fraction to decimals ( $8/5=1.6$ ) and adding one to the result. Multiplying the decimal odds and the stake thus produces the total payout of GBP100.

## Example of Pricing a Bet

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out
<b>Touch/No Touch</b>			
I predict <input type="text" value="UK Index"/>			
touches <input type="text" value=""/>			
a price of <input type="text" value="6117"/> <input type="button" value="+"/> <input type="button" value="-"/> <input type="button" value="?"/>			
anytime in the next <input type="text" value="7 days (16-Feb-11)"/>			
for a payout of <input type="text" value="GBP"/> <input type="text" value="1000"/>			
<input type="button" value="Price This Bet"/>			

**Price**

The price of this bet is  
**AUD745.30** ▲

*Net profit: GBP254.7*  
*Return: 34%*

The example shows a touch bet.

- Firstly, select the the market, in this case the UK Index, also known as the FTSE100.
- Set the level, in this case 6117
- Then select the days, in this case 7 days
- Select the currency and amount you wish to win, in this case GBP 1000.
- Once done, click PRICE THIS BET.

At this stage you are not committed to make the bet, so you can price a bet but you do not have to take it. You may wish to go back and change one or more of the parameters and see how this affects the odds.

The price of this bet is GBP745.30. If I wish to place this bet I would require this amount in my account. The profit on the bet is GBP254.70 which represents a 34% return. As this is a Touch bet, the price only has to touch 6117 once and the trade will be paid out. Of course if it does not touch my target, in this case

6117, within 7 days then my bet will expire at 0.





## Selling back a bet

With BetOnMarkets it is generally possible to sell back most bets before expiration. So if I see a bet is not going my way, I could look to sell the bet and salvage some of my stake. I can also make a profit if I sell the bet before it has paid out. If the bet has moved in my favour, it is possible that my sell back price is higher than my purchase price.

Whilst a good feature to have on the whole, bets should be run to expiration to obtain maximum returns.

### Warning:



There may be instances where BetOnMarkets cannot determine an accurate price for you to be able to sell the bet prior to its expiry. This is often correlated with high volatility and low granularity in certain markets. In particular, you will find that Rise/Fall bets on indices, stocks and commodities can generally not be sold during their betting period.

While they will always provide you with an indicative price (in your portfolio) to help you gauge progress on your bet, they will be unable to provide you with the opportunity to sell your bet when an accurate price cannot be determined. In such cases, you may wish to consider making another bet which hedges all or part of your risk.

## Rise/Fall (100% Return) Bets

These bets offer a very good return and are ideal for bets lasting 1 to 7 days.

A Rise/Fall bet is used when you think a market will either go up or down.. Whilst the return is 100% the, the market has to move by a predetermined number of points which will be reflected under the purchase price, before one of your bets makes a profit. This represents the company's commission.

You could have two (or more) bets running at the same time on different markets. For example, you could purchase a Rise/Fall bet on Gold if you're predicting that the market is going to move upwards and Rise/Fall bet on the EUR/USD if you're predicting that this market is also going to rise.

As the EUR strengthens against the USD, Gold normally goes up as Gold is priced in USD and that makes it cheaper for those holding EUR to buy Gold.

## So let's look at an example on Gold

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out	Price
Variable return   100% return				
I predict <input type="text" value="Gold/USD"/>				<p>The price of this bet is <b>GBP500.00</b></p> <p>Market must move up by more than: 2.52 points. (0.18%)</p> <p><b>Buy This Bet</b></p> <p>Net profit: GBP500.00 Return: 100% Current spot: 1363.27</p>
<input type="text" value="rises"/>				
between <input type="text" value="Now*"/> (start time)				
and <input type="text" value="5 days (14-Feb-11)"/> (end time)				
for a payout of <input type="text" value="GBP"/> <input type="text" value="1000"/>				
<b>Price This Bet</b>				
<small>*The market entry price of the bet will be the next tick after your order has been received.</small>				

I select “rises” (up), the other option being “falls” (down), and then I select the amount I wish to win. The GBP1000 is how much I wish to win. I can change this from GBP10 to GBP10,000. Then I press PRICE THIS BET.

The price is GBP500 so my return is 100%. The current spot price is GBP1363.27., The market must move upwards by more than 2.52 points (which translates to 0.18%) for me to win this bet. The market move required is calculated based on the company’s commission.

### So, just to be clear

This is a Rise/Fall 100% return bet (predicting that the market will rise). It will settle at the close of trading on the given expiry date and will pay double the stake if the market price is higher (by a specified number of points) at expiry than at purchase time.



Now for the opposite bet:



This is a Rise/Fall 100% return bet (predicting that the market will fall). It will settle at the close of trading on the given expiry date and will pay double the stake if the market price is lower at expiry than at purchase time.

## Short term Bets

You may wish to trade in shorter intervals than 1 day. This is also possible with a Rise/Fall bet. In fact, you can also place bets with a minimum duration of 30 seconds or a duration between 1 to 5 minutes, 10 minute intervals or even hours.

For example:

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out	Price
Variable return   100% return				<div style="border: 1px solid #ccc; padding: 10px; text-align: center;"> <p>The price of this bet is <b>GBP52.71</b></p> <p><a href="#">Buy This Bet</a></p> <p><i>Net profit: GBP47.29</i> <i>Return: 90%</i> <i>Current spot: 1.3636</i></p> </div>
I predict <input type="text" value="EUR/USD"/>				
<input type="text" value="falls"/>				
between <input type="text" value="18h00"/> (start time)				
and <input type="text" value="19h00"/> (end time)				
for a payout of <input type="text" value="GBP"/> <input type="text" value="100"/>				
<a href="#">Price This Bet</a>				

I wish to win GBP100 if the EUR/USD falls (I can switch this to rises) and I can then select the times; in this case 18h00 and 19h00.

The return on this bet is 90%. These bets are ideal for trading around news items such as the announcements of interest rates and unemployment figures.

Short term bets lasting from 30 seconds to 4 minutes are not available on all markets. They are currently offered mainly on currencies.

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out
Variable return   100% return			
I predict <input type="text" value="GBP/JPY"/>			
<input type="text" value="falls"/>			
between <input type="text" value="Now*"/> (start time)			
and <input type="text" value="1 minute"/> (end time)			
for a payout of <input type="text" value="GBP"/> <input type="text" value="100"/>			
<input type="button" value="Price This Bet"/>			
<small>*The market entry price of the bet will be the next tick after your order has been received.</small>			

Price
The price of this bet is <b>GBP53.44</b>
<input type="button" value="Buy This Bet"/>
Net profit: GBP46.56 Return: 87% Current spot: 132.59

In this example I wish to win GBP100 if the GBP/JPY (UK Pound against Japanese Yen) falls over the next 1 minute. The return is 87%.

This offers another excellent profit opportunity for a very short term bet with strictly limited risk. Remember, the stake of GBP53.44 is my maximum exposure.

# *Making Money with Fixed odds*

**A**s mentioned earlier, fixed odds allows you to profit from markets moving up, down or even sideways. You can also back your view from 30 seconds to 360 days.

In this section I will cover some very simple trading systems which can be used to profit from using fixed odds bets with BetOnMarkets.com.

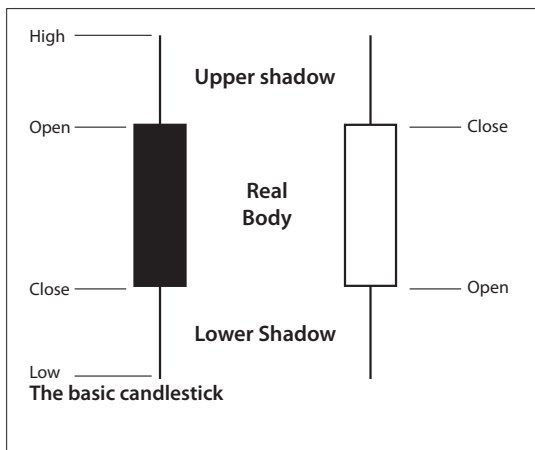
## **Using Charts**

One of the main tools I use are price charts. Charts offer a visual representation of where the price of a market has been in the past. BetOnMarkets offers excellent free charts on all the markets they trade. Additional charts and news can be found free on various internet sites.

There are various types of charts but to keep it simple, I will concentrate on one well known format called candlestick charts.

I will not go into the details of the various patterns. I will just concentrate on the basics.

Candlestick charts are said to have been developed in the 18th century by the legendary Japanese rice trader Homma Munehisa. The charts gave Homma and others an overview of open, high, low, and close market prices over a certain period. This method of charting prices proved to be particularly interesting, due to the ability to display five data points instead of one. The method was picked up by Charles Dow in circa 1900 and remains in common use by today's financial market traders.

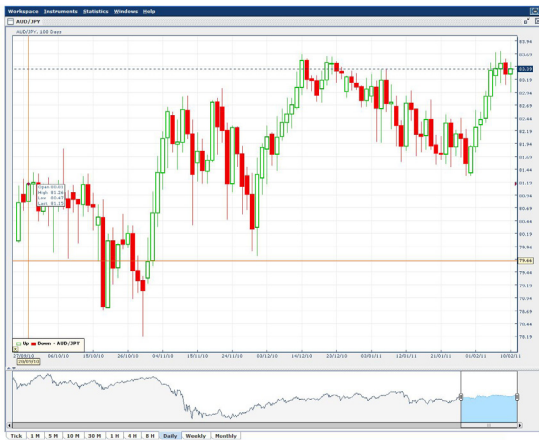


## Candlestick layout

Candlesticks are usually composed of the body (black or white), and an upper and a lower shadow (wick). The wick illustrates

the highest and lowest traded prices of a stock during the time interval represented. The body illustrates the opening and closing trades. If the stock closed higher than it opened, the body is white, with the opening price at the bottom of the body and the closing price at the top. If the stock closed lower than it opened, the body is black, with the opening price at the top and the closing price at the bottom. A candlestick need not have either a body or a wick.

### Example chart



This is a daily chart, so each candle represents one day. Other charts can be selected ranging from 1 minute to 1 month.

The green candle represents an up day and the yellow candle a down day.



## Using a Moving Average

This one tool has made (and saved) me more money than any other. It's hard to trace the origins, however, one of the pioneers was Richard Donchian who was a great pioneer of systematic trading in the 1950's and 60's. The systems he created over 40 years ago are still common in today's trading world and are the basis for many of the complex systems used by the world's best traders.

The dictionary quotes an average as “the quotient of any sum divided by the number of its terms” so if you were working out a 10 day moving average of the following numbers: 10, 20, 30, 40, 50, 60, 70, 80, 90, 100, you would add them together and divide them by 10, so the average would be 55.

Now when tomorrow's price comes in, let's say 105, you remove the oldest number and 105 is added, so the average is 64.5.

Every charting software package carries moving averages as it is the grandfather of trading. You will also find it on the various charts on internet sites. You don't need to worry about working it out.

There are five popular types of moving averages:

- simple (also referred to as arithmetic)
- exponential
- triangular
- variable
- weighted

Moving averages can be calculated on any data series including a

security's open, high, low, close, volume, or another indicator.

My favourite is the Simple Moving Average. While some have tried to be clever by changing the calculations, it is best to stick to simple.

In software or on the internet, it is often abbreviated to (SMA).

If the price is below its Moving average, then it's seen as being weak; if it's above, it's strong. The choice of days you select when using a moving average makes a difference to the results. If you use a short term moving average (I call short term anything less than 10 days) you will get a lot of signals. If you use a long term moving average, your signals will lag.

Some good moving averages to start with are the 20 day and 50 day moving averages.



This is a chart of the USD/JPY with a 50 day Simple Moving Average. When the price breaks below this, it triggers a sell signal. Some traders also allow some leeway. They wait for 3 or 4 days after the MA breaks before making the trade.

If the price moves above, you would be looking to place bullish bets and if it breaks below, you would place bearish bets.

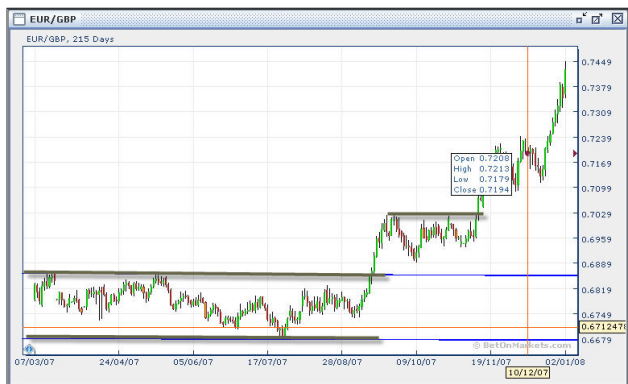
Moving averages do have their limitations; however, they can be a good place to start in your quest to build a winning system. Using a technical system also takes the emotions out of your trading decisions; rather than basing your trades on what you think should happen, your trades are based on what is actually happening with the price.

A moving average can also stop you from making stupid mistakes such as betting against a trend.

## **Support and Resistance**

- Support levels occur when the consensus is that the price will not move lower. It is the point where buyers outnumber sellers.
- Resistance levels occur when the consensus is that the price will not move higher. It is the point where sellers outnumber buyers.
- The penetration of a support or resistance level indicates a change in investor expectations and a shift in the supply/demand lines.

Shares, Indices and currencies can remain in a range for long periods of time and bounce between Support (bottom) and Resistance (top). These types of situations are ideal for barrier range bets.



Here we see the EUR/GBP in 2007 staying within a range of 0.6679 and 6880. This lasted for around 5 months and was an ideal time to trade using an In/Out bet.

Nothing stays in a range for ever and towards the end of August 2007 we see the price breakout of the range. The break means that investor's expectations have changed.



Tip:

**W** When a market breakout of a range the previous resistance (top) now becomes support (floor)

## Examples of an In/Out Bet

As explained previously, the In/Out bet comes in two varieties: “Stays In/Out”, where the market must stay between or go outside the price targets anytime during the bet period; and “Ends In/ Out”, where the market must end between or outside the price targets at the bet end time.

With a Stays In/Out bet the market will stay within or outside a specified range at ALL times during the bet. So, if the market just touches the higher or lower target, then your bet will close out at a total loss.

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out	Price
<b>Stays In/Out</b>   Ends In/Out				
I predict <input type="text" value="UK Index"/>				
<input type="text" value="stays between"/>				
a low of <input type="text" value="6000"/> <input type="button" value="+"/> <input type="button" value="-"/> <input type="button" value="?"/>				
a high of <input type="text" value="7000"/> <input type="button" value="+"/> <input type="button" value="-"/> <input type="button" value="?"/>				
during the next <input type="text" value="9 days (18-Feb-11)"/>				
for a payout of <input type="text" value="GBP"/> <input type="text" value="1000"/>				
<input type="button" value="Price This Bet"/>				
				<b>The price of this bet is</b> <b>AUD604.82</b>
				<input type="button" value="Buy This Bet"/>
				<i>Net profit: GBP395.18</i> <i>Return: 65%</i>

This example is on the UK Index (FTSE 100) for 9 days with a range of 6000 to 7000 which is a large 1000 point range and is paying a return of 65%.

Rise/Fall	Higher/Lower	Touch/No Touch	In/Out
Stays In/Out   Ends In/Out			
I predict <input type="text" value="UK Index"/>			
<input type="text" value="ends outside"/>			
a low of <input type="text" value="6029"/> <input type="button" value="+"/> <input type="button" value="-"/> <input <="" td="" type="button" value="?"/>			
a high of <input type="text" value="6121"/> <input type="button" value="+"/> <input type="button" value="-"/> <input <="" td="" type="button" value="?"/>			
during the next <input type="text" value="9 days (18-Feb-11)"/>			
for a payout of <input type="text" value="GBP"/> <input type="text" value="1000"/>			
<input type="button" value="Price This Bet"/>			

**Price**

The price of this bet is  
**AUD760.60**

*Net profit: GBP239.40  
Return: 31%*

This is an example of the Ends In/Out bet on the UK Index. With this kind of bet, the market must end between or outside a low barrier level of 6029 and a high barrier level of 6121 at the bet end time for you to win the bet.

The return has come down to 31%, because the risk is now much lower. The higher the risk the higher the return would be.

## Technical Indicators

The BetOnMarkets.com charting software offers around 27 different indicators. Whilst technical indicators can offer some value, I would warn against over complicating matters and trying to use too many indicators.

## Light Charts



This example shows a list of the indicators which can be added to charts at BetOnMarkets.com.

## MACD - Moving Average Convergence Divergence

MACD is an oscillator that is calculated by taking the difference between two exponential moving averages. You can set the time periods for these yourself. A signal line is also plotted to help with the interpretation.

Traditionally, when the MACD is below the origin, the market is considered to be oversold and when it's above the origin, the market is considered to be overbought. A MACD below the origin (i.e. the market is oversold) crossing above the signal graph is generally believed to be a signal to buy.

A MACD above the origin (i.e. the market is overbought) crossing below the signal graph is generally considered to be a signal to sell. The further from the origin, the stronger the signal. Typical settings are 9, 12 and 26 days.

An example of the EUR/GBP with the MACD:

■ EUR/GBP

Intraday 5d 30d 60d 90d 120d 150d 180d 250d 365d 500d



## Relative Strength Index (RSI)

The RSI indicator measures a share's performance against itself. It is often used to identify buy opportunities in market dips and sell opportunities in market rallies. The value of the RSI is always a number between 0 and 100.

A low number indicates a more oversold market (30), while a high value indicates a more overbought market (70). The



higher and lower horizontal lines on the graph are at 30 and 70 - the levels at which markets are often regarded as oversold or overbought.

■ Gold/USD

Intraday 5d 30d 60d 90d 120d 150d 180d 250d 365d 500d



## How to trade the RSI with fixed odds

As you can see from the chart, Gold's RSI does not stay below 30 or above 70 very long. When the RSI is below 30, look to buy bullish bets, when the RSI is above 70, look to buy bearish bets.

# Using Price Channels - Dochian Channels

## Light Charts

Instruments ▾ | Settings ▾ | Price Band ▾ | Moving Average ▾ | Indicator ▾ |

Instrument	Last	Open	High	Low	Change	Time
Gold/USD	1364.42	1362.44	1365.79	1361.92	1.98 (0.15 %) ▲	12h35 GMT

■ Gold/USD

Intraday 5d 30d 60d 90d 120d 150d 180d 250d 365d 500d



BetOnMarkets' charts allow you to add price channels. Donchian Channels plot the highest high and the lowest low over the previous period. In this example I am showing a Donchian Channel with a period of 20 days.

The aim here is to trade with trending markets. If you see a break of the 20 day low, then you would be looking to bet with bearish bets. If the price breaks the 20 day high you would be looking to bet with bullish bets.

You can select other periods such as 10, 50 or even 100.



## Warning:

My course, *Making Money From Financial Trading* covers much more on this subject. This introduction is to get you thinking about using a technical trading system rather than just relying on news, fundamentals, or even worse, trading on hunches. Most people trade on emotions or what they read in the newspapers or see on a business channel; that's not the way to make money. Having a systematic way to enter and exit a market may sound a bit boring but that's the idea; you need to take away the human emotions from your trading decisions.

## Money Management

Whilst most new traders start with good intentions, just as people making New Year resolutions, most end up breaking them fairly quickly.

Money Management does not have to be complicated; in simple terms it means that we have to decide the amount of money we wish to risk on a given trade.

*“Risk too much and a few bad trades will make you lose your trading bank.”*

*“Risk too little and it's going to be a long time before you see any decent profits.”*

The good news is that fixed odds betting has strictly limited risk, so if you risk GBP50, then that's the most you can ever lose on the trade.

Whilst the ultimate choice of risk and reward is your decision, for accounts of less than 10,000 (depending on your home currency USD, EUR, GBP) I would go for around 3% maximum risk per trade. For accounts above that, I recommend 2%.

If your account is USD3,000 or below, then go for 4%. So let's say your account has USD5,000, then you can place USD150 per trade. As the account goes up or down, the bet size will vary accordingly.

*“The Power of compounding – How to turn small bets in to big profits.”*

## A Grain of Rice

**T**he daughter of the Chinese Emperor was ill, and he promised riches beyond compare to whoever could cure her. A young peasant named Pong Lo entered the palace. With his wit and bravery he restored the Princess' health and won her heart. As a reward, Pong Lo asked for her hand in marriage. The emperor refused and asked the peasant to think of anything else he would like.

After several moments of thought, Pong Lo asked a grain of rice. "A grain of rice! That's nonsense! Ask me for fine silks, the grandest room in the place, a stable full of wild stallions - they shall be yours!"

"A grain of rice will do" said Pong Lo, "But if his Majesty insists, he may double the amount every day for a hundred days."

So on the first day a grain of rice was delivered to Pong Lo. On the second, 2 grains of rice were delivered, on the third day 4 grains, and on the fourth day 8 grains. On the fifth day 16 grains, on the sixth day 32 grains, on the seventh day 64 grains, on the eighth day 128 grains.

By the twelfth day the grains of rice numbered 2,048. By the twentieth day 524,288 grains were delivered. And by the thirtieth day 536,870,912 grains - requiring 40 servants to carry them to Pong Lo.

In desperation the Emperor did the only honourable thing he could do, and consented to the marriage. Out of consideration for the Emperor's feelings, no rice was served at the wedding banquet! feelings, no rice was served at the wedding banquet!

*(Retold from a grain of Rice by Helena Pittman)*

I think that this is a great story and I hope you understand the relevance to financial betting and investing.

With fixed odds betting we can increase or reduce our risk as our bank goes up or down. Using the same grain of rice principle, a modest account can grow very quickly.

### Remember:



If you could just achieve 1% return a day on your capital, taking that there are approximately 250 trading days a year, your return would be 250% a year, but your compounded returns would be much higher.

Many of my BetOnMarkets trades last around 7 days, so the capital and profits can be rolled over from one bet to another.

# 8 Top Tips for Fixed Odds Trading

- **You can make money from Up, Down or Sideways movements**

With fixed odds you can make money from markets moving up, moving down or staying in a sideways range, a concept that even professional traders find hard to grasp. Even after the big falls in the markets in 2008, most traders still want to buy low and sell high.

Remember that markets fall faster than they rise so down bets can make quick profits. With fixed odds you can back currencies, shares and indices to fall, all with limited risk and the most you can lose is your stake which can be as low as GBP10.

Sideways markets can be backed using In/Out bets. Until BetOnMarkets.com introduced these it was very complicated to make money from range bound markets and you would have had to use options strategies such as selling options. Now you can do it with a simple bet and with strictly limited risk.

You would be surprised how often a currency, share or index actually stays in a range – until recently you could not profit from ranges.

- **Learn to love volatility**

With BetOnMarkets.com you can place an ‘Up or Down’ bet which basically means: “I don’t know what the market is going to do but I think it’s going to move.”

As long as the market moves up or down and breaks above or below your predicted barrier, you will be paid out. This bet is ideal after a market has been going sideways in a narrow range for a while as the odds of a breakout become more probable. Those that follow charts can look for contracting triangle formations. As the price squeezes, you know that at some stage it will break out, normally with a big move. With ‘Up or Down’ bet you don’t have to predict the direction of the break out as long as it does break out within your predetermined time.

Tip:



**B**uy a bit of extra time. We all want our bets to payout as quickly as possible and for the highest payout, but I suggest taking a slightly lower payout and buying a few extra days of time. So let’s say your offer is 40% for the NASDAQ touching 1550 in 14 days, try going for 18 days. The extra few days have saved me on many of my trades.



## • Use Touch bets

Markets tend to be like lightning; they look for the path of least resistance. When a market breaks above a resistance (ceiling) level, you tend to find that the market carries on in the same direction for at least a few more days. The other way around, when a market breaks below a support (floor) level, the market carries on falling until its next support.

Using a Touch bet, traders can back these events. Remember that you're saying that the market just needs to touch the given level, and that would be enough to payout.

So let's use a Gold example. Let's say Gold started to build up momentum and broke through the USD830/oz level. Let's say you're looking at the chart and you can see that USD850 is the next potential target, so you place a Touch bet, predicting that Gold will touch USD850 within the next 14 days. Gold goes on to hit USD870 within a few days, so the bet pays out. Of course, if Gold would not have touched USD850 during these 14 days, then my bet would have expired worthless.

Tip:



**M**arkets have a tendency to move to round numbers both on the upside and downside. You often see this happen in currencies, indices and individual shares. Look for possible moves to next levels, especially on falling markets. Just look at the way the Dow Jones fell from 9,000 to 8,000 in a matter of days back in October 2008.

- **Balance Risk and Reward**

Everyone likes the big payouts; however, you have to remember there is a reason why you're being offered a 300% return; that's because there is a fairly slim chance that the bet will payout. On the opposite end, a 1% return is hardly going to make you rich and should the bet go wrong, you would lose a large stake.

The simple answer is to look for a balance and mix and match trades. In my own trading I am looking for returns between 40% to 100%.

**Tip:**



**L**ook to tweak your bets. Before you accept the bet you will be shown the odds and asked to confirm whether you're happy or not. You can adjust the levels and dates and see how this affects your payout.

- **Be a disciplined trader not a reckless gambler**

After a good run, many become over confident and start taking stupid risks. After a poor run, many try to play catch up and want to make their losses back fast; both actions are the easiest way to lose your trading capital. Many books have been written on Money Management with complicated formulas. The key should be that no one trade should ever

cause you so much damage financially or emotionally. Irrespective of how sure you are that the XYZ is going to rocket, only a percentage of your trading bank should be risked.

- **Run two bets together, trading a pair**

Another strategy is to trade two different markets that have a negative correlation. For example, Gold and the USD. Gold is priced in USD so if the dollar weakens then Gold tends to rise. Gold is also used as a hedge against falling currency values, so you could look to have a bearish bet on the USD/EUR and a bullish bet on Gold.

The Japanese Yen (JPY) and the US stock markets are another pair that can be traded. You may have heard of the Carry Trade, where the JPY is sold, as money is borrowed in JPY, and then the JPY are converted and invested in higher yielding currencies such as the New Zealand Dollar.

If you look at the EUR/JPY and say the S&P500 you will see that as the EUR/JPY weakens (so money is flowing back to the JPY which is the funding currency) as does the S&P500. If you see a funding currency strengthen such as the JPY, it means traders are taking less risk, which is not good for equity markets.

- **Seasonality – History does repeat itself in many markets**

My trading style uses technical analysis with seasonality. Most know what technical analysis is. Seasonality, however, is not as well known. Seasonality involves the usage of the calendar and past results to forecast the likelihood of the same event happening again.

For example, Gold tends to be strong in September whereas stock markets tend to be weak. Periods around market holidays such as Christmas, Thanksgiving, Independence Day and the first few days of the month tend to be stronger.

The well-known saying, “Sell in May and go away,” whilst not perfect, has worked as a good base to a trading system which I used to make large profits in 2008. You will also find seasonality in commodities and some currencies.

- **Combine Spread Bets and Fixed Odds**

Let's say you have a core view that the FTSE100 is going down and you have placed a spread bet to back this idea. After a week or so the FTSE100 starts going up or sideways.

You could of course close your spread bet, or you could leave it open and look to place a fixed odds bet to run alongside it; maybe an In/Out bet, so whilst the market is going sideways your spread bet will not be making money, but at least your fixed odds will make a profit.

# Conclusion

**A**re you missing out?

Fixed Odds financial betting is now over 10 years old and has come a long way, offering both small and not so small clients a way to back markets in unique ways. I have personally used BetOnMarkets.com since 1999 and have traded a good few million pounds worth of bets during the last few years. I can assure you that it's a serious trading vehicle that can complement both spread betting and other forms of investing and its popularity will continue to grow. You can open a fixed odds account within minutes and start trading with as little as £10.

Regardless of what the financial markets are doing, there are plenty of opportunities for you to profit using BetOnMarkets' fixed odds bets with strictly limited risk.

May I wish you every success as a professional fixed odds financial trader.

[Open an account and collect a free £20 trade](#)

## *About Vince Stanzione*

Vince Stanzione has been trading markets for over 23 years. He now trades his own accounts as well as teaching others and is the author of “Making Money from Financial Trading.” For more information go to [www.fintrader.net](http://www.fintrader.net)



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