

Kiss intro to VOLATILITY INDICES(VIX) TRADING



NOBUHLE MFEKA

KISS FX

2018



What is the 'VIX - CBOE Volatility Index'

(Investopedia definition)

The Volatility Index, or VIX, is an index created by the [Chicago Board Options Exchange \(CBOE\)](#), which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities on S&P 500 [index options](#). This volatility is meant to be forward looking, is calculated from both calls and puts, and is a widely used measure of market risk. The VIX is often referred to as the "investor fear gauge."

Fear, volatility, and the index move up when stock prices are falling and investors are fearful. The index, volatility, and fear decline when stock prices are rising.

Volatility indices from binary.com

Volatility indices from binary.com are simulated. They use randomly generated numbers to reflect real financial market behaviour. According to [binary.com](#), the random numbers are generated by a computer programme. For transparency issues, binary.com is unable to influence or predict which numbers will be generated. In other words, due to broker regulations, binary.com cannot game the market.

Different types of Volatility Indices offered by binary.com

The VIX INDICES offered are 10/25/50/75/100

The numbers indicate the level of volatility in the various indices markets. The volatility index 10 is the least volatile and the volatility index 100 is the most volatile of these. In addition there are High Frequency volatility indices 10.50 and 100. These move 4x faster than the corresponding volatility indices. For example HF 10 moves 4 ticks faster than volatility index 10.

How to open a volatility indices account on binary.com

First you need to open a binary.com account here, www.binary.com

DOWNLOAD MT5 AND LINK YOUR ACCOUNT.

Why be interested in trading volatility indices like forex (as CFD's)

You may be wondering why you need to bother yourself trading these volatility indices like forex when you can simply trade the real thing i.e. currency pairs. The following reasons in my view make volatility indices trading attractive.

1.VIX's are not affected by fundamentals.(minus one problem)

Vix mimic the behaviour of financial markets but since they are not like currencies, they are not affected by fundamentals like interest rates, retail sales, CPI and NFP. If you have been trading forex long enough you would know that fundamentals drive market crazy. See picture for crazy market movement cause by fundamentals.



The past week there was GBP news release which caused a big drop followed by a spike and drop again, these moves are tricky and can blow an account

easily. Such movements are quite rare when trading VIX and this is a major advantage.

2. You can trade VIX 24/7/365

Volatility indices are not only open during working hours like forex, they are available all year round including weekends and public holidays, this makes them very attractive.

3.volatility indices have very low spreads(close to nothing)

Spreads are a major costs in forex trading, it even gets trickier when consider the fact that different brokers have different spreads, this means that if you choose a broker with high spreads, your trading costs will shoot up.

Additionally, brokers manipulate the spreads and make stop hunts using the spreads during news releases. Vix has fixed spreads, very low 0.1pip in some instances.

4. Volatility indices can be traded with price action.

This is best of all these advantages for me, I believe price action simplifies the trading process,

5.margin requirements are less as compared to other financial instrument(forex,crypto,stock's and indices).

Disadvantages of trading volatility indices

there are few disadvantages of VIX you must be aware of before trading them.

1. not all volatility indices can be traded with 0.01lot, this helps risk management and stop loss placement.

VOLATILITY INDEX	SMALLEST LOT SIZE
Vix 10	0.10
Vix 25	0.50
Vix 50	0.50
Vix 75	0.01
Vix 100	0.01
Hf vix 10	0.10
Hf vix 50	0.50
Hf vix 100	0.50

You have to be extra cautious when you trade to ensure that you use the correct lot sizing, for example, if you use 0.50 on volatility 75 then you will open a big position, if you that same lot size for , say HF 50, the position will not be so big.

Be wary of this you can easily get into trouble.

2. There are fewer volatility indices to choose from compared to forex pairs, this can be both disadvantage and advantage.

It can be an advantage in that it makes it easy to track them, on the other hand, it may mean that at times there will be no tradable setups on any of the indices.

3. Volatility indices are very volatile

This may be obvious but it needs to be stressed. What it means, the market moves very fast in a short period of time,(est 200 pips/2hrs-3hrs)however the movement usually in one direction. Not up and down like forex pairs.

You can easily wipe out your account if you use the incorrect lot size and don't notice it.

4. Sometimes past market data of volatility disappears after server maintenance.

The mt5 servers that run these volatility indices are regularly maintained. at times when they get back up historical data may not be available,. This makes it hard to identify areas of support and resistance. However, this can be combated by using **TRADING-VIEW** which has all the historical data, you can see the charts at [trading view.binary.com](http://tradingview.binary.com)

Conclusive remarks volatility indices

VIX's offered a different trading experience that can be profitable, I suggest you take your time and practice these markets on demo before you risk your money. Remember trading puts your capital at risk and as such you want to trade with money you can afford to lose.

If you found this pdf helpful, share with your friends

I am writing a pdf on two trading strategies I use of trading VIX, it will be in a paid pdf which will cost R1000.

My name is Nobuhle Mfeka, founder of K.I.S.S FX.

FACEBOOK: WWW.FACEBOOK.COM/KISSBUHLE

EMAIL: NOBUHLEMFKA8@GMAIL.COM

WHATSAPP: +27794319534

