

# Trading Lingo

## **Annual Report**

A report prepared by a company containing tons of information about the company, from its cash flow to its management strategy.

## **Beta**

Beta is a measure of a stock's volatility in relation to the whole market.

## **Broker**

A person who buys or sells an investment for you in exchange for a fee (a commission).

## **Back Testing**

Applying a strategy to historical data to see if it is valid.

## **Bear Market**

A period of declining stock value usually accompanied by investor pessimism. The Vanguard Group defines a bear market as a price decline of 20% or more over at least a two-month period.

## **Bull Market**

A period of rising stock value usually accompanied by investor optimism.

## **Block Trade**

Buying or selling a large number of shares. The minimum is 10,000 shares but most block trades are much larger.

## **Blue Chip**

An established company with a national or international reputation for stability, profitability, and value.

## **Chart Analysis**

An analysis of a security using price action on charts such as highs and lows and support/resistance.

## **Choppy Market**

A market where price is moving rapidly up and down without any real trend.

## **Commission**

The fee the broker charges for buying or selling a security.

## **GDP**

Gross domestic product (GDP) is a measure of the total amount of goods and services produced by a country in a specific period of time, usually a year or a quarter.

## **DAX**

The DAX is Germany's blue-chip index, the most cyclical of the major western indices, with almost 80% of it comprised of economically sensitive industries.

### **Dividend**

A payment made out of the company's profits to its shareholders.

### **Dow Jones Industrial Average**

The leading stock market index in the U.S. that averages the value of 30 component stocks (blue chip stocks).

### **Day trading**

Buying and selling of a stock on the same day before the market closes.

### **Exchange**

An exchange is a marketplace where securities, commodities, derivatives and other financial instruments are traded

### **Earnings yield**

The earnings yield is a firm's earnings per share for the most recent 12 months divided by the share price.

### **EBITDA**

Earnings before interest, tax, depreciation and amortisation (EBITDA) takes operating profit and adds back two subjective costs: depreciation and amortisation.

### **Fundamental Analysis**

Examining the financial health and strength of a company to determine its share price, future value, and earnings expectations.

### **Foreign exchange reserves**

Foreign exchange reserves are stockpiles of foreign currencies held by governments.

### **Futures**

A future is a tradeable contract that commits you to taking delivery (if you buy), or making delivery (if you sell), of an agreed amount of something at an agreed time.

### **Fiscal Policy**

Fiscal policy includes any measure that the national government takes to influence the economy by budgetary means.

### **Hedge**

Limiting your losses or reducing risk by placing orders to cover two or more possible events in the market.

**Initial Public offering (IPO)**

Initial Public offering (IPO) is the process of offering shares of a private corporation to the public in a new stock issuance.

**Index Fund**

Index funds (also known as passive funds or “trackers”) aim to track the performance of a particular index, such as the FTSE 100 or S&P 500.

**Liquidity**

Being able to sell or buy shares in a stock without the transaction seriously affecting the stock’s price; also refers to how easy it is to buy or sell shares.

**Net Change**

The difference between the previous closing price and the last traded price.

**Paper Trade**

When a trade does not trade with real but fake money.

**Pattern Day Trader**

SEC term for traders who trade (buy and sell) more than 4 times a day in any given stock over a period of 5 days and for whom the same-day trades makes up of more than 6% of their activity for that period.

**Penny Stock**

A highly speculative stock priced under \$1.00 per share.

**Price-to-Earnings Ratio (P/E Ratio)**

The price-to-earnings ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS).

**Quote**

The bid, ask, and last price for a stock at a given point during the trading day.

**S&P 500**

The S&P 500, or just the S&P, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States

**Technical Analysis**

Examining a stock’s price through the use of metrics, indicators, past data, and other techniques to identify trends

**Volatility**

How much a stock’s price rises or falls over a period of time