

# Stock Market Terminology

- **Stock:** Represents a share of ownership in a company. Investors holding stock are shareholders and may receive dividends and voting rights.
- **Dividend:** A portion of a company's profit distributed to shareholders, usually paid per share.
- **Market Capitalization:** The total value of a company's outstanding shares of stock, calculated as the stock price multiplied by the number of shares.
- **PE Ratio (Price-to-Earnings Ratio):** A measure of a company's stock price relative to its earnings per share, used to evaluate if a stock is over or under-valued. Calculated as the stock price divided by earnings per share.
- **Blue Chip Stock:** Stocks from large, stable, and well-established companies known for their reliability and consistent performance.
- **Bull Market:** A market condition where stock prices are rising or expected to rise, indicating strong market performance.
- **Bear Market:** A market condition where stock prices are falling or expected to fall, indicating weak market performance.
- **Limit Up:** When a stock price hits the maximum allowable increase during trading, causing trading to pause or preventing further price increases.
- **Limit Down:** When a stock price hits the maximum allowable decrease during trading, causing trading to pause or preventing further price decreases.
- **Blue Chip Stock:** Stocks from large, reputable companies with a strong track record of performance, especially in uncertain economic conditions.
- **Index:** A statistical measure of the performance of a specific stock market or group of stocks, such as the S&P 500 or Dow Jones Industrial Average.
- **Volume:** The amount of shares traded within a specific period. High volume often indicates higher liquidity.

- **Balance Sheet:** A financial statement that lists a company's assets, liabilities, and shareholders' equity at a specific point in time.
- **Earnings Report:** A periodic financial report released by a company showing its revenue, expenses, and net income.
- **P/E Ratio (Price-to-Earnings Ratio):** A ratio used to assess a stock's value by comparing its price to its earnings per share. Calculated as the stock price divided by earnings per share.
- **Bullish:** An expectation or sentiment that prices will rise.
- **Bearish:** An expectation or sentiment that prices will fall.
- **Volatility:** A measure of how much a stock's price fluctuates over time. High volatility means larger price swings.
- **Liquidity:** The ease with which an asset can be bought or sold in the market without affecting its price significantly.
- **IPO (Initial Public Offering):** The process through which a company offers its shares to the public for the first time.
- **Market Order:** An order to buy or sell a stock immediately at the current market price.
- **Limit Order:** An order to buy or sell a stock at a specific price or better. It may not be executed immediately.
- **Stop-Loss Order:** An order placed to sell a stock when it reaches a certain price, used to limit potential losses.
- **Margin:** Borrowing money from a broker to trade stocks, with the stock itself as collateral.
- **Short Selling:** Selling a stock you do not own, with the intention of buying it back at a lower price to profit from the decline.
- **Dividend Yield:** The annual dividend payment expressed as a percentage of the stock price.
- **Beta:** A measure of a stock's volatility compared to the overall market. A beta greater than 1 indicates higher volatility.
- **RSI (Relative Strength Index):** A momentum oscillator that measures the speed and change of price movements to identify overbought or oversold conditions.

- **Technical Analysis:** The study of past market data, primarily price and volume, to forecast future price movements.
- **Fundamental Analysis:** The evaluation of a company's financial health and performance by analyzing financial statements, management, and market position.
- **Gain:** The amount or percentage by which a stock's price has increased.
- **Loss:** The amount or percentage by which a stock's price has decreased.
- **Bonus:** Additional stock or cash distributed to shareholders, usually based on company profits.
- **Hedging:** Actions taken to reduce or prevent investment losses and manage risk.
- **Asset Management:** Managing investment portfolios and assets to achieve specific financial goals.
- **Buyback:** A company's repurchase of its own shares, typically to reduce the number of shares outstanding or support the stock price.
- **Stock Split:** The division of existing shares into more shares, usually to lower the stock price and increase liquidity.
- **Warrant:** A security that allows investors to purchase company stock at a specified price within a certain period.
- **Option:** A contract that gives the buyer the right, but not the obligation, to buy or sell stock at a specified price before a certain date.
- **Bond:** A debt security issued by a company or government where investors lend money and receive interest payments.
- **Capital Gains:** The profit earned from selling an investment asset, such as stock, at a higher price than it was purchased.
- **Debt Ratio:** The ratio of a company's total debt to its total assets, used to assess financial leverage and debt repayment capacity.
- **Market Depth:** The measure of the quantity and price levels of all buy and sell orders in the market.
- **Bear Market:** A market condition where stock prices are generally declining, typically defined as a drop of more than 20%.

- **Bull Market:** A market condition where stock prices are generally rising, typically defined as an increase of more than 20%.
- **Portfolio:** A collection of all investment assets held by an investor, including stocks, bonds, cash, etc.
- **Margin Trading:** Buying securities with borrowed funds (margin buying) or borrowing securities to sell short (margin selling).
- **Risk Management:** The process of identifying, analyzing, and taking measures to reduce investment risks.
- **Liquidity Ratio:** Financial ratios used to measure a company's short-term debt repayment ability, such as the current ratio and quick ratio.
- **Asset Allocation:** The strategy of distributing investment funds among different types of assets to optimize the risk and return of the portfolio.
- **Price Range:** The highest and lowest price of a stock over a certain period.
- **Trading Strategy:** A plan developed by investors to determine when to buy or sell stocks to achieve investment goals.
- **Return:** The profit or loss from an investment relative to the initial amount invested, usually expressed as a percentage.
- **Arbitrage:** A strategy that exploits price differences of the same or similar assets across different markets to achieve risk-free profit.
- **Quantitative Trading:** Automated trading strategies based on mathematical models and algorithms.
- **Technical Indicator:** Mathematical calculations based on price and volume data used to forecast stock price movements.
- **News Analysis:** Assessing the impact of news and events on the stock market to make investment decisions.
- **Equity:** The ownership interest of shareholders in a company's assets, typically calculated as total assets minus total liabilities.
- **Debt Maturity:** The time at which a debt or bond is due, and the investor receives the principal repayment.
- **Comparative Analysis:** Comparing financial data of different companies to assess their relative value and performance.

- **Market Trend:** The general direction of the stock market or a specific stock over a period, which could be upward, downward, or sideways.
- **Risk Premium:** The additional return required by investors to compensate for taking on extra risk.
- **Value Investing:** Buying stocks that are undervalued compared to their intrinsic value, with the expectation of future price increases.
- **Growth Investing:** Investing in companies expected to grow rapidly in the future to achieve capital gains.
- **Leading Stock:** A stock that performs better than most others, often leading in price increases during market upswings.
- **Lagging Stock:** A stock that performs worse than most others, often lagging behind during market upswings.
- **Market Sentiment:** The overall attitude and psychological state of investors toward the market or specific stocks, which can influence market trends.
- **Transaction Costs:** Fees incurred during buying and selling transactions, including commissions and other charges.
- **Shareholders' Meeting:** A meeting held regularly or specially by a company for shareholders to discuss company matters and vote on decisions.
- **Capital Structure:** The combination of debt and equity a company uses to finance its operations and growth.
- **Debt-to-Equity Ratio:** The ratio of a company's total debt to its shareholders' equity, used to assess financial leverage.
- **Book Value:** The net value of a company's assets, calculated as total assets minus total liabilities, used to evaluate the intrinsic value of a stock.
- **Trading Volume:** The number of shares bought and sold within a specific period, reflecting market activity.
- **Earnings Forecast:** A prediction of a company's future profitability, usually based on historical data and market trends.
- **Price-to-Book Ratio (P/B Ratio):** The ratio of a stock's price to its book value per share, used to assess the relative value of a stock.

- **Hedge Fund:** An investment fund that uses various strategies (such as leverage and short selling) to achieve high returns.
- **Market Risk:** The risk of investment losses due to overall market volatility, typically hard to eliminate through diversification.
- **Long-Term Investment:** An investment strategy that involves holding assets for an extended period to achieve long-term growth.
- **Short-Term Trading:** A strategy of frequently buying and selling assets to profit from short-term price movements.
- **Return on Equity (ROE):** A measure of a company's profitability relative to shareholders' equity, calculated as net income divided by shareholders' equity.
- **Shareholder Return:** The total return to shareholders, including dividends and capital gains.
- **Risk Control:** The process of managing and mitigating investment risks.
- **Price Limit:** The maximum allowable price movement of a stock during trading, set by the exchange.
- **Market Order:** An order to buy or sell a stock immediately at the current market price.
- **Limit Order:** An order to buy or sell a stock at a specific price or better, which may not be executed immediately.
- **Index Fund:** An investment fund that tracks a specific stock market index, typically used for passive investing.
- **Fund Manager:** A professional responsible for managing an investment fund and making investment decisions.
- **Technical Analysis Chart:** A chart used to display price and volume data, helping to analyze stock price trends.
- **Trend Line:** A line drawn in technical analysis to indicate the direction and trend of price movements.
- **Dividend Payout Ratio:** The ratio of dividends paid to shareholders relative to the company's net income, used to evaluate a company's dividend policy.
- **Overbought:** A condition where a stock's price is considered too high relative to its historical levels or technical indicators, suggesting a possible price pullback.

- **Oversold:** A condition where a stock's price is considered too low relative to its historical levels or technical indicators, suggesting a possible price rebound.
- **Take Profit:** Setting a price level at which a stock will be automatically sold to realize a profit.
- **Return on Equity (ROE):** A measure of the return generated on shareholders' equity, calculated as net income divided by shareholders' equity.
- **Market-Cap Weighted Index:** A market index where the weight of each stock is determined by its market capitalization, such as the S&P 500 index.
- **Price Momentum:** The rate and direction of price changes in a stock, typically used in technical analysis to predict future price trends.
- **Relative Strength Index (RSI):** A technical indicator that measures the speed and change of price movements to identify overbought or oversold conditions.
- **Shareholder Resolution:** Proposals or decisions put forward by shareholders and voted on at the annual general meeting.
- **Debt Ratio:** The ratio of a company's total debt to its total assets, used to assess the company's financial health.
- **Compound Interest:** Interest calculated on the initial principal and also on the accumulated interest from previous periods.
- **Balance Sheet Analysis:** Evaluating a company's balance sheet to understand its financial condition and debt repayment capacity.
- **Earnings Growth Rate:** The rate at which a company's earnings are growing, typically based on historical earnings data.
- **Technical Analysis:** A method of forecasting future market movements based on historical price and volume data.
- **Fundamental Analysis:** Evaluating a company's financial health and business prospects by analyzing financial statements, management, and market conditions.
- **Share Buyback:** A company repurchasing its own shares from the market, often to increase earnings per share and shareholder value.
- **Corporate Bond:** A debt security issued by a corporation, where investors lend money to the company and receive interest payments.

- **Bond Rating:** An assessment of a bond's credit quality by a credit rating agency, affecting its interest rate and attractiveness to investors.
- **Portfolio Diversification:** Spreading investments across different asset classes to reduce overall risk.
- **Liquid Assets:** Assets that can be quickly converted into cash, such as cash and short-term investments.
- **Long-Term Debt:** Debt that is due in more than one year, used to meet a company's long-term financing needs.



**This article was written by Lauren D Miller, a teaching assistant at The FinLogic Quantitative Think Tank Center.**

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