INVESTMENT DICTIONARY

Annual Report – An annual report is a document that offers information about the company's activities and operations and contains financial details, cash flow statement, profit and loss statement, balance sheet, etc.

Arbitrage - Arbitrage refers to the practice of buying and selling assets in order to make a quick profit. Investors profit from price differences or discrepancies.

Asset – An asset is a resource such as a real estate property, vehicle, equipment and machinery, and inventory, which is controlled, held, and owned by companies with the aim of generating profit.

Balance Sheet – A balance sheet is a summary offering information about the shareholders' equity, outstanding debts, and assets of partnerships, corporations, and other entities.

Basic Point - This is the smallest measure that is used to indicate changes in interest rates and other instruments.

Bear - Bear refers to a market on which the value of securities decreases. This forces investors to sell stock, with prices of investments falling over an extended period.

Bid and Ask Prices – Bid and ask prices are the highest and lowest price that buyers and sellers are willing to accept. Both parties have to agree on the price for the transaction to take place.

Block Order – A block order is made when an investor sells or purchases a significant number of shares at a discount.

Blue Chip – A blue chip refers to a well-established business with subsidiaries and many years of operation, which has a history of sound investments and stable growth.

Bond – A bond is a debt instrument that allows governments, municipalities, and companies to raise capital for their projects and operations. Interest on some bonds is exempt from income tax.

Book Value – Book value is the value of common stock and is reflected on the balance sheet. It is calculated by deducting the company's intangible assets, preferred shares, and liabilities from its assets.

Broker – A broker is a person or company that arranges transactions of different nature and helps buyers and sellers to negotiate the sale/purchase of real estate or an asset.

Bull Market – Bull market occurs when prices of investments are expected to increase and investors begin to buy more securities.

Capital - Capital refers to money, machinery and equipment, and other assets owned and operated by businesses. Capital is used for expansions, mergers and acquisitions, and to generate profits.

Capital Gain – A capital gain is the difference between the purchase and sales price of an investment instrument or capital asset such as a real estate property or stock.

Capital Loss – Capital loss occurs when the value of a capital asset decreases and represents the difference between the purchase and sales price.

Capitalization - Capitalization occurs when the acquisition cost of an asset is added to its value and is recorded as a fixed asset cost.

Cash Flow – Cash flow is an in- or outflow of money and an indicator of the financial health of a company. Money changes cash accounts to finance a project or operations.

Certificate of Deposit – A certificate of deposit is an instrument that earns interest at a fixed rate. Bearers usually acquire CDs from FDIC-insured financial establishments.

Collateral – Collateral is a valuable asset such as a vehicle, antique, or house that can serve to back a loan or mortgage and helps borrowers to get a low interest rate.

Commission – A commission is money paid for financial or other services offered by brokers, financial advisors, and other professionals.

Common Stock – Common stock represents ownership in a company or corporation and gives shareholders voting rights.

Cross Currency – Cross currency can be any currency pair, except for those that include U.S. dollars, that is traded on the forex market.

Discount – A discount is a reduction of the value of a service or item with the aim of attracting customers and achieving a larger sales volume.

Diversification – Diversification helps develop a portfolio with diverse investment instruments such as real estates, bonds, and stocks. This is a strategy for risk reduction.

Dividend – A dividend represents a taxable portion of the profits of a business that is allocated to shareholders on a regular basis.

Dollar-Cost Averaging – Dollar-cost averaging is a strategy of investing in a fixed amount of currency to minimize risk. This practice does not take into account market conditions and share price.

Dow Jones – Dow Jones is a major index that includes 30 U.S. companies listed on NASDAQ and NYSE and follows stock prices.

Due Diligence – Due diligence is the process of investigating a potential business partner or investor before the completion of a financial transaction or the signing of a contract.

Earnings Report – An earnings report is a financial statement that offers information about earnings per share, income, net profit, expenses, and other details. Reports are released by public companies.

Equity - Equity represents ownership interest in the form of preferred or common shares. It is calculated by deducting the liabilities from the assets.

Exchange-Traded Funds – Exchange-traded funds are entities that track indexes such as stock and bond indexes and are bought and sold on the stock exchanges.

Face Value – The face value is the dollar or nominal value of a debt security that is paid back to investors at maturity. It is printed on the face of a note, bond, bill, or coin.

Fiscal Year – A fiscal year is a period that the national authorities and businesses use to calculate and prepare their financial reports. It ends on the day on which companies and government agencies close their books.

Fixed Charges – Fixed charges are expenses that do not change, regardless of the volume of sales or financial transactions.

Floor – A floor is a trading area for investors who participate and bid in auctions. It is also the lowest limit.

FOREX - FOREX is the largest and most volatile market for foreign currency transactions on which currencies are bought and sold in pairs. Participants range from individual investors to multinational corporations and big financial establishments.

Forex Trading – Forex trading involves currency trades and is a popular strategy among investors who seek to realize a quick profit.

Gold Trading – Gold trading is a strategy of trading and investing in bullions, gold-backed paper assets, gold futures contracts and spot contracts.

Growth Stock – Growth stock includes shares issued by a high-risk start-up company with a growth potential. Angel investors usually buy growth stock.

Hedge Funds – Hedge funds are funds that invest in a pool of instruments such as insurance products, shares of undervalued businesses, and others. They use different investment strategies, including arbitrage, swaps, selling short, and derivatives.

Holding Company – A holding company is a business that has subsidiaries and a sufficient number of shares to control and oversee their operations and management.

Index – An index is a statistical average and an indicator of the value of debt securities. It shows how well companies in different sectors and industries perform.

Initial Public Offering (IPO) – An initial public offering is the first sale of company shares to the general public. Young companies, start-ups, and growth companies offer shares to raise capital and expand.

Interest - Interest is money earned as a result of maintaining a savings account or investing in another instrument.

Investment – An investment is an instrument such as a certificate of deposit, bond, stock, or real estate that generates profits.

Investment Advisor – An investment advisor is a professional who helps customers with security and risk analysis, offers investment advice, and manages assets and portfolios.

Investment Bank - An investment bank is an entity that assists corporations with mergers and acquisitions and offers services to government agencies and companies that issue debt securities.

Investment Company – An investment company is a firm that holds debt securities and invests in a diverse portfolio of instruments on behalf of customers. There are closed-end and open-end funds.

Investment Counsel – An investment counsel is a professional or firm that offers advisory services, manages portfolios of assets, and works for mutual funds or individual investors.

Issue – An issue refers to bonds or stocks that are offered by government agencies and businesses for sale. The goal is to raise capital for growth, expansion, payments to suppliers, or normal operations.

Leverage – Leverage is a strategy that aims to increase profits and return on investments. Companies use borrowed funds for business and investment purposes.

Liabilities - Liabilities are outstanding obligations to banks and suppliers that are due within the same year (current liabilities that are short-term debt) or within a longer period (non-current liabilities).

Limit Order – A limit order can be placed with an investment broker or a company to trade a specified number of shares at a higher or pre-agreed price.

Liquidation - Liquidation occurs when a company goes bankrupt, becomes insolvent, or goes out of business, and its property and assets are distributed among the shareholders.

Liquidity - Liquidity is an indicator of the extent to which an asset can be sold and converted into cash with a minimum loss and price reduction.

Listed Stock – Listed stock includes company shares that are traded on NYSE, TSE, or another stock exchange. Start-ups and established businesses offer stock to the public.

Long – Long refers to the purchase of a foreign currency, asset, or stock that is expected to increase in value.

Long Position – Long position refers to buying and owning a commodity, options contract, debt security, or currency. Holders can trade commodities and securities at a specified date.

Long-Term Debt – Long term debt is an outstanding obligation that is due within a period of more than one year. Examples include mortgages and auto loans.

Manipulation - Manipulation is the act of speculating on the value of a security whereby its price is intentionally inflated or deflated.

Margin – A margin is a ratio that shows the financial health and profitability of a company. The revenues are divided by the net income.

Margin Call – A margin call is a request from a brokerage firm or a clearinghouse to deposit more marginable securities or cash.

Market Order – A market order is a sell or buy order made through a brokerage firm or broker. The aim is to execute it at the best current price.

Market Price – Market price is the quoted or sales price of a security which is determined by factors such as supply and demand.

Maturity Date – A maturity date is the date on which a loan or another debt obligation should be repaid in full. The principal amount of debt securities such as acceptance bonds, bills, drafts, and notes is due on this date.

Median Line Analysis – Median line analysis is a tool that investors use to spot trends, determine exit and entry levels, and minimize trading risk.

Mergers and Acquisitions – Mergers and acquisitions allow companies to acquire shares, combine different businesses, make corporate restructurings, and pool interests. This is different from establishing a new entity.

Modified Schiff Pitchfork – Modified Schiff pitchfork is a tool derived from the median line analysis which is used for charting and spotting trends and movements.

Money Market Fund – A money market fund is an entity that invests in commercial paper, CDs, T-bills, and other short-term securities. This is a liquid investment instrument.

Mutual Funds – Mutual funds are instruments that invest in assets, bonds, and stocks with the aim of generating profit. The expenses, losses, and gains are shared among investors.

NASDAQ - NASDAQ is a U.S. stock market and a complex, computerized system that allows investors to buy and sell securities.

Net Worth – Net worth is calculated by deducting the liabilities of a firm or individual from their assets. It is an indicator of value.

NYSE – New York Stock Exchange is a U.S. based stock exchange that offers an electronic trading system with open-outcry auctions and enables investors to trade stock.

Odd Lot – Odd lot refers to an order to buy a number of shares. It is smaller than the typical round number.

Overbought – Overbought refers to an asset that is overvalued due to a high demand that increases its price within a short period.

Oversold – Oversold is a term for an asset which is underpriced due to a sharp decline in value. This can lead to panic selling.

Paper Loss – Paper loss occurs when the value of shares declines but they are not sold yet. The purchase and current price are compared to calculate the loss.

Paper Profit - Paper profit is made when shares increase in value but are still held in an investment portfolio. It is calculated by comparing the original purchase cost with the market price.

Penny Stock – Penny stock is characterized with low market capitalization and value and represents shares of a small publicly traded company.

Portfolio – A portfolio is a pool or collection of investment instruments such as stocks, commercial paper, and bonds that is owned or managed by a business, individual, or fund.

Preferred Stock – Preferred stock represents a class of ownership in a company that pays a fixed dividend to holders before common stockholders are paid.

Premium – A premium is the amount at which shares or bonds trade above their stated or face value. This is the cost to exercise an option.

Price-to-Earnings Ratio – The price-to-earnings ratio is calculated by comparing a company's per-share earnings and share value. It helps investors to assess how expensive shares are.

Prime Interest Rate – The prime interest rate is the rate offered to borrowers with an impeccable credit and payment history (i.e. large corporations and established companies).

Profit – Profit is realized as a result of successful business operations, marketing campaigns, and investment strategies. The total expenses are subtracted from the revenues to calculate it.

Profit Taking – Profit taking is a strategy that investors use to avoid losses. They sell stock when prices increase which causes prices to fall down.

Quote – A quote is the most recently quoted price at which a commodity or debt security has been traded. The buyer and seller have to agree on this price for the transaction to take place.

Rally – A rally is a period during which the value of indexes, bonds, and stocks increases which leads to a short-term stock price increase.

Redemption Price – A redemption price is a pre-agreed price at which preferred shares or a debt security can be redeemed. Payment of dividend is one reason to call shares.

REIT – A REIT is a trust that invests in real estate, buys mortgages, and is traded on the exchanges. This is a very liquid investment instrument.

ROI – ROI is calculated by dividing the total income by the company's preferred and common shares. It is an indicator of profitability and financial health.

Savings Accounts – A savings account is an investment instrument that allows holders to earn interest. Normally, cash cannot be withdrawn by writing checks.

SEC – The SEC is a regulatory authority that works to ensure that investors are protected against illegal and fraudulent acts. It oversees the stock and options exchanges in the U.S.

Short Covering – Short covering occurs when an investor sells shares and then buys the same number of shares at a lower price. The aim is to generate profit.

Short Sale – Short sale occurs when an investor borrows a futures contract or debt security, trades it to make a profit, and then returns the security.

Short-Term Debt – Short-term debt is offered to borrowers who need cash over a short period, for example, 1 month or 1 year. A payday loan is one example.

Shorting – Shorting refers to selling a security that belongs to another party and is borrowed for a specified period. If the price of stock decreases, the short seller makes money.

Speculation – Speculation is an attempt to make a quick profit by carrying out risky transactions that can possibly result in a considerable gain for the investor.

Stock Exchange – A stock exchange is a financial market that allows investors to trade securities such as bonds and stocks.

Stock Split – Stock split is a procedure that allows company stock to be divided into a larger number of shares whereby the price of stock decreases.

Support and Resistance – Seasoned investors use support and resistance levels to come up with successful trading strategies. Support levels show to investors that prices will increase.

Technical Analysis – Technical analysis enables investors to determine the value of securities. They use charts, market data, and other tools to follow and predict market shifts.

Trader – A Trader is a person who actively engages in security trades to generate profit but not on behalf of companies and individual investors.

Treasury Bill – A treasury bill is a short-term government security with a maturity of up to one year.

Volume – Volume describes the number of contracts or shares that are bought and sold on a certain exchange over a period of time.

Warrants – Warrants are certificates that allow investors to buy debt securities at a specified price.

Yield – Yield is the return on an investment, including bonds, stocks, and other securities.
