

A

A stock symbol specifying that the stocks are Class "A" shares of the company.

Agent

1. An individual or firm that places securities transactions for clients.
2. A securities salesperson that represents a broker-dealer or issuer when selling or trying to sell securities to the investing public.

Analyst

A financial professional who has expertise in evaluating investments and puts together buy, sell, and hold recommendations on securities. Also known as a financial analyst or security analyst.

Annual Report

A corporation's annual statement of financial operations. Annual reports include a balance sheet, income statement, cash flow statement, auditor's report, and a description of the company's operations.

Ask

The price a seller is willing to accept for a security, also known as the offer price.

Asset Management

1. The management of the financial assets of a company in order to maximize return.
2. An account at a financial institution that includes checking services, credit cards, debit cards, margin loans, the automatic sweep of cash balances into a money market fund, as well as brokerage services.

Annual General Meeting – AGM

A mandatory yearly meeting of shareholders that allows stakeholders to stay informed and involved with company decisions and workings.

Accounts Receivable – AR

Money that is own by customers.

Annual Percentage Yield - APY

The effective annual rate of return taking into account the effect of compounding interest.

Arbitrage

The simultaneous purchase and selling of a security in order to profit from a differential in the price. This usually takes place on different exchanges or marketplaces.

Asset Allocation

The process of dividing a portfolio among major asset categories, such as bonds, stocks, or cash. The purpose of asset allocation is to reduce risk by diversifying the portfolio.

Bourse

This French term can be used to refer to any exchange; however, it is most often used in reference to the Paris Stock Exchange.

Broker

1. An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.
2. The role of a firm when it acts as an agent for a customer and charges the customer a commission for its services.
3. A licensed real estate professional who typically represents the seller of a property. A broker's duties may include: determining market values, advertising properties for sale, showing properties to prospective buyers, and advising clients with regard to offers and related matters.

Balance Sheet

A company's financial statement. It reports the company's assets, liabilities, and net worth at specific time.

Blue Chip

A security from a well-established and financially-sound company that has demonstrated its ability to pay dividends in both good and bad times

Blue Chip Stock

Stock of a well-established and financially-sound company that has demonstrated its ability to pay dividends in both good and bad times.

Buy Back

The buying back of shares by a corporation in order to reduce the number of shares on the market.

Buy and Hold

A passive investment strategy with which an investor buys stocks and holds them for a long period regardless of fluctuations in the market.

Bucketing

A situation where, in an attempt to make a short-term profit, a broker confirms an order to a client without actually executing it. A brokerage which engages in unscrupulous activities, such as bucketing, is often referred to as a bucket shop.

Bubble

A speculative market or stock in which prices rise very rapidly and then fall sharply.

Bid

1. An offer made by an investor, trader, or dealer to buy a security.
2. The price at which a market maker is willing to buy a security.

Bid Price

The price a buyer is willing to pay for a security.

Bid-Ask Spread

The amount by which the ask price exceeds the bid

Bull

An investor who thinks the market, a specific security, or an industry will rise.

Bull Market

A market in which prices of a certain group of securities are rising or are expected to rise.

Bull Spread

An option strategy in which maximum profit is attained if the underlying security rises in price. Either calls or puts can be used. The lower strike price is purchased and the higher strike price is sold. The options have the same expiration date.

Bear

An investor who acts on the belief that a security or the market is falling or is expected to fall.

Bear Market

A market in which prices of a certain group of securities are falling or are expected to fall. Although figures can vary, a downturn of 15% - 20% or more in multiple indexes.

Bond

A debt investment, with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.

Book Closure

A company's announcement of a dividend or bonus to investors.

Book Value Per Common Share

A measure used by owners of common shares in a firm to determine the level of safety associated with each individual share after all debts are paid accordingly.

Book Value

1. The value at which an asset is carried on a balance sheet. In other words, the cost of an asset minus accumulated depreciation.
2. The net asset value of a company, calculated by total assets minus intangible assets (patents, goodwill) and liabilities.

Bond Rating

A specification of the possibility of default by a bond issuer based on an analysis of the issuer's financial condition and profit potential.

B-Share

A class in a family of multi-class mutual funds. This class is characterized by a rear-end load structure that is paid only when selling the fund.

Bankruptcy

The state of a person or firm unable to repay debts.

Barometer Stock

A stock whose price pattern is very similar to the market's return.

Benchmark

A standard against which the performance of something can be measured.

Benchmark Bond

A bond that provides a standard against which the performance of other bonds can be measured. Government bonds are almost always used as benchmark bonds.

Call Warrant

A warrant that gives the holder the right to buy the underlying share for an agreed price, on or before a specified date.

Callable Bond

A bond that can be redeemed by the issuer prior to its maturity. Usually a premium is paid to the bond owner when the bond is called. Also known as a redeemable bond.

Callable Common Stock

Common stock that allows the issuer to call back the stock at a specific price.

Callable Preferred Stock

A type of preferred stock that carries the provision that the issuer has the right to call in the stock at a certain price and retire it. Also referred to as a redeemable preferred stock.

Chartist

Another name for technical analyst. This is a person who uses charts to identify patterns that can suggest future activity.

Cash Flow

The amount of cash a company generates and uses during a period, calculated by adding noncash charges (such as depreciation) to the net income after taxes. Cash Flow can be used as an indication of a company's financial strength. It is also sometimes referred to as the "money value" of trades in a stock during a trading day.

Cash Dividend

Money paid to stockholders, normally out of the corporation's current earnings or accumulated profits. All dividends must be declared by the board of directors, and are taxable income to the recipients.

Cash Flow per Share

Cash flow from operations minus preferred stock dividends, divided by the number of common shares outstanding. This measures a firm's financial strength.

Closed End Investment

When an investment company issues a fixed number of shares in an actively managed portfolio of securities. The shares are traded in the market just like common stock.

Common Stock

A security that represents ownership in a corporation. Holders of common stock exercise control by electing a board of directors and voting on corporate policy. Common stockholders are on the bottom of the priority ladder for ownership structure. In the event of liquidation common shareholders have rights to a company's assets only after bond holders, preferred shareholders, and other debt holders have been paid in full.

Class

In the most general form, a class is a group of securities with similar features.

Circuit Breaker

Refers to any number of measures which can be used by stock exchanges during large sell-offs. After an index has fallen a certain percentage, actions such as trading halts or restrictions on program trading can be taken. Sometimes called a 'collar.'

Circular Trading

A fraudulent trading scheme where sell orders are entered by a broker who knows that offsetting buy orders, the same number of shares at the same time and at the same price, either have been or will be entered.

Class A Shares

A division of common stock accompanied by more voting rights than Class B shares.

Class B Shares

A division of common stock accompanied by fewer voting rights than Class A Shares.

Convertible Bond

A bond that can be converted into a predetermined amount of the company's equity at certain times during its life. Convertibles are sometimes called CVs.

Corporate Governance

The relationship between all the stakeholders in a company. This includes the shareholders, directors, and management of a company, as defined by the corporate charter, bylaws, formal policy, and rule of law.

Crash

A major decline in a financial market.

Cross

When a broker receives a buy and sell order for the same stock at the same price, and subsequently makes a simultaneous trade between two separate customers.

Cum Dividend

When a buyer of a security is entitled to receive a dividend that has been declared, but not paid.

Cum Warrant

A condition in which the buyer of a security is entitled to a warrant that has been declared, but not distributed.

Cumulative Dividend

A limitation placed upon corporations ensuring the payment of preferred dividends before making distributions to common shareholders.

Corporation

The most common form of business organization. The total worth of the organization is divided into shares of stock, each representing a unit of ownership. A corporation is ongoing and the owners face only limited liability.

Consumer Price Index – CPI

A measure of price changes in consumer goods and services such as gasoline, food, and automobiles. Sometimes referred to as "headline inflation."

Capital

1. Financial assets or the financial value of assets such as cash.
2. The factories, machinery, and equipment owned by a business.

Capitalization

1. The sum of a corporation's stock, long-term debt, and retained earnings.
2. A company's outstanding shares multiplied by its share price, better known as market capitalization.

Dealer

1. An individual or firm willing to buy or sell securities for their own account.
2. One who purchases goods or services for resale to consumers.

Debit

An accounting entry which results in either an increase in assets or a decrease in liabilities or in your bank account.

Debt

An amount of money owed from one person or firm to another

Discount

The difference between the lower price paid for a security and the security's face amount at issue.

Discount Broker

A stockbroker who charges a reduced commission, but provides no investment advice.

Default

1. The failure to promptly pay interest or principal when due.
2. The failure to perform on a futures contract as required by an exchange.

Default Risk

The risk that a company or individual will be unable to pay the contractual interest or principal on its debt obligations.

Delisting

When the stock of a company is removed from a stock exchange.

Diluted Earnings Per Share - Diluted EPS

The earnings per share (EPS) if all convertible securities were exercised.

Direct Public Offering – DPO

Where a company raises capital by marketing its shares directly to its own customers, employees, suppliers, distributors and friends in the community. DPOs are an alternative to underwritten public offerings by securities broker-dealer firms where a company's shares are sold to the broker's customers and prospects.

Dividend

A cash payment, using profits, announced by a company's board of directors and distributed among stockholders. Dividends may be in the form of cash, stock, or property. All dividends must be declared by the board of directors.

Dividend Yield

An indication of the income generated by a share of stock. Dividend yield is calculated as:

$$\frac{\text{Annual dividends per share}}{\text{price per share}}$$

Diversification

A risk management technique that mixes a wide variety of investments within a portfolio. It is designed to minimize the impact of any one security on overall portfolio performance.

Diversified Common Stock Fund

A mutual fund that invests its assets in a wide range of common stocks. The fund's objectives can be growth, income, or a combination of both.

Dividend Clawback

An arrangement under which those financing a project agree to contribute, as equity, any prior dividends received from the project to the extent that any cash shortages are covered.

Dedicated Portfolio

A form of passive portfolio management that involves the matching of future cash flows with future liabilities.

Default

1. The failure to promptly pay interest or principal when due.
2. The failure to perform on a futures contract as required by an exchange.

Default Risk

The risk that a company or individual will be unable to pay the contractual interest or principal on its debt obligations.

Deferred Share

1. A share that does not have any rights to the assets of a company undergoing bankruptcy until all common and preferred shareholders is paid.
2. A method of stock payment to directors and executives of a company through the deposit of shares into a locked account. The value of these shares fluctuates with the market and cannot be accessed by the beneficiary for the purpose of liquidation until they are no longer employees of the company.
3. A share, generally issued to company founders that restricts their payment of dividends until all other classes have been distributed.

Defensive Investment Strategy

A method of portfolio allocation and management aimed at minimizing the risk of losing principal. Defensive investors place a high percentage of their investable assets in bonds, cash equivalents, and stocks that are less volatile than average.

Earnings per Share – EPS

The portion of a company's profit allocated to each outstanding share of common stock. Calculated as:

$$\frac{\text{Net Income - dividends on preferred stocks}}{\text{Average Outstanding Shares}}$$

Companies usually use a weighted average number of shares outstanding over the reporting term.

Ex-Warrant

The trading of shares when a warrant has been declared, but not distributed.

Ex-Dividend

The trading of shares when a declared dividend belongs to the seller rather than the buyer.

Equity

1. A term describing stock, or any security, representing an ownership interest.
2. On the balance sheet, equity refers to the value of the funds contributed by the owners (the stockholders) plus the retained earnings (or losses).
3. In the context of margin trading, equity is the value of securities minus what has been borrowed from the brokerage.

Exchange

An exchange is a market where securities, commodities, options, or futures are traded.

Exchange of Futures for Cash

A method by which opposite parties of a futures contract that has underlying cash commodities aim to close out their positions simultaneously.

Earnings Before Tax – EBT

An indicator of a company's financial performance calculated as:

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= Revenue - Expenses (excluding tax)

Earnings Before Interest, Taxes, Depreciation, and Amortization – EBITDA

An indicator of a company's financial performance calculated as:

= Revenue - Expenses (excluding tax, interest, depreciation, and amortization)

EBITDA can be used to analyze the profitability between companies and industries, because it eliminates the effects of financing and accounting decisions.

Earnings Before Interest, Tax, and Depreciation – EBITD

An indicator of a company's financial performance calculated as:

= Revenue - Expenses (excluding tax, interest, and depreciation)

Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring Costs – EBITDAR

An indicator of a company's financial performance calculated as:

= Revenue - Expenses (excluding tax, interest, depreciation, amortization, and restructuring costs)

Earnings

The net income of a company during a specific period. Generally, but not necessarily, referring to after-tax income.

Enterprise Value – EV

A measure of a company's value. Calculated as market capitalization plus debt and preferred shares, minus cash and cash equivalents.

Full Service Broker

A broker that provides a large variety of services to its clients. These services include research and advice, retirement planning, tax tips, and much more. Of course, this all comes at a price, as commissions at full service brokerages are much higher than with discount brokers.

Fundamental Analysis

A method of evaluating securities by attempting to measure the intrinsic value of a particular stock. Fundamental analysts study everything from the overall economy and industry conditions, to the financial condition and management of companies.

Futures

A financial contract that encompasses the sale of financial instruments or physical commodities for future delivery, usually on a commodity exchange. Futures contracts try to "bet" what the value of an index or commodity will be at some date in the future.

Futures Contract

An exchange traded agreement to buy or sell a particular type and grade of commodity for delivery at an agreed upon place and time in the future. Futures contracts are transferable between parties

Futures Market

An auction market in which participants buy and sell commodity/future contracts for delivery on a specified future date. Trading is carried on through open yelling and hand signals in a trading pit

Futures Spread

An arbitrage technique whereby you buy one commodity and sell another contract of the same commodity to capitalize on a discrepancy in prices.

Fair Value

1. The estimated value of all assets and liabilities of an acquired company used to consolidate the financial statements of both companies.
2. In the futures market, fair value is the equilibrium price for a futures contract. This is equal to the spot price after taking into account compounded interest (and dividends lost because the investor owns the futures contract rather than the physical stocks) over a certain period of time.

Fast Market

When a financial market has a combination of high volatility and heavy trading.

Face Value

1. The stated principal amount of a debt instrument.

2. The value printed value on a banknote or coin.

Final Dividend

The final dividend declared at a company's Annual General Meeting (AGM) for any given year. This amount is calculated after all financial statements are recorded and the directors are aware of the company's profitability and financial health.

Financial Risk

The risk that a company will not have adequate cash flow to meet financial obligations.

Float

The total number of shares publicly owned and available for trading. The float is calculated by subtracting restricted shares from outstanding shares.

Floor

The lowest acceptable limit as restricted by controlling parties.

Flotation

The process of changing a private company into a public company by issuing shares and soliciting the public to purchase them.

Free Cash Flow for the Firm – FCF

A firm's operating income less expenses, taxes, and changes in net working capital and investments.

Free Cash Flow per Share

A measure of a company's financial flexibility. It is calculated as net income plus all non-cash expenses, less dividends and capital expenditures. The total is then divided by the number of shares outstanding.

Friends and Family Shares

When a company gives pre-IPO shares to friends and family members.

Fund Manager

The person responsible for investing of a mutual fund's assets, implementing its investment strategy, and managing in day-to-day portfolio trading.

Global Depository Receipt – GDR

1. A bank certificate issued in more than one country for shares in a foreign company. The shares are held by a foreign branch of an international branch. The shares trade as domestic shares, but are offered for sale globally through the various bank branches.
2. A financial instrument used by private markets to raise capital denominated in either U.S. dollars or Euros.

Gross Domestic Product – GDP

The monetary value of all the goods and services produced by an economy over a specified period. It includes consumption, government purchases, investments, and exports minus imports.

Gain

An increase in the value of an asset or property. The gain is measured as the amount of capital from the sale of a good realized in excess of the original purchase price

Global Registered Share

A share issued and registered in multiple markets around the world.

Globalization

The tendency of world investment and business to move from national and domestic markets to a worldwide environment.

Goldbrick Shares

A stock with only the surface appearance of quality and worth, that is in fact worth very little

Growth Stock

Shares in a company whose earnings are expected to grow at an above average rate relative to the market.

Growth Fund

A diversified portfolio of stocks that has capital appreciation as its primary goal, and thereby invests in companies that reinvest their earnings into expansion, acquisitions, and/or research and development.

Guaranteed Stock

Common or preferred stock whose dividends are guaranteed.

Green shoe Option

An option that allows the underwriting of an IPO to sell additional shares to the public if the demand is high.

Hedge

Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of protecting a position in a related security.

Hedge Fund

An aggressively managed fund portfolio taking positions in both safe and speculative opportunities.

Hedge Ratio

1. A ratio comparing the amount you are hedging with the size of the position being hedged against.
2. A ratio comparing the value of futures contracts purchased or sold versus the value of the cash commodity being hedged against.

High Close

A tactic used by stock manipulators. They make small trades at high prices during the final minutes of trading to give the impression that the stock did very good.

Hold

An analyst recommendation to neither buy nor sell a security.

Holding Company

A parent corporation that owns enough voting stock in another corporation to control its board of directors (and, therefore, controls its policies and management).

Horizontal Merger

A merger occurring between companies producing similar goods or offering similar services.

Hostile Takeover

A takeover attempt that is strongly resisted by the target firm.

Income Fund

A mutual fund that seeks to provide stable current income by investing in securities that pay interest or dividends.

Income Share

A class of shares offered by a dual purpose fund that has little room for capital appreciation but gives the holder a portion of all income earned in the portfolio.

Index

A statistical measure of change in an economy or a securities market. In the case of financial markets, an index is essentially an imaginary portfolio of securities representing a particular market or a portion of it. Each index has its own calculation methodology and is usually expressed in terms of a change from a base value. Thus, the percentage change is more important than the actual numeric value.

Index Fund

A portfolio of investments that are weighted the same as a stock-exchange index in order to mirror its performance. This process is also referred to as indexing.

Indexing

1. The adjustment of the weights of assets in an investment portfolio so that its performance matches that of an index.
2. Linking movements of rates to the performance of an index.

Indicated Dividend

The total dividends that would be paid on a share of stock throughout the next year if each dividend is the same amount as the previous payment.

Indicated Yield

The yield that a share of stock would return based on its current indicated dividend. It is calculated by dividing the indicated dividend by the current share price. It is usually quoted as a percentage.

Indicator

Anything used to predict future financial or economic trends.

Inflation

The rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling.

Inflation Risk

The uncertainty over the future real value (after inflation) of your investment.

Initial Margin

The percentage of the purchase price of securities that can be purchased on margin.

Initial Public Offering - IPO

The first sale of stock by a private company to the public. IPOs are often smaller, younger companies seeking capital to expand their business.

Inside Market

The highest quoted bid and the lowest offer price among competing market makers in a security trading on stock market.

Inside Quote

The highest bid and lowest offer price for a security quoted among all of the market makers competing in a security.

Insider

Any person who has or has access to valuable nonpublic information about a corporation.

Insider Trading

The buying or selling of a security by insiders who possess material, nonpublic information about the security. The act puts insiders in breach of a fiduciary duty or other relationship of trust and confidence.

Institutional Investor

A non-bank person or organization that trades securities in large enough share quantities or dollar amounts that they qualify for preferential treatment and lower commissions. Institutional investors face less protective regulations because it is assumed that they are more knowledgeable and better able to protect themselves.

Intraday

Another way of saying "within the day."

Investment Bank – IB

A financial intermediary that performs a variety of services. This includes underwriting, acting as an intermediary between an issuer of securities and the investing public, facilitating mergers and other corporate reorganizations, and also acting as a broker for institutional clients.

International Depository Receipt – IDR

A negotiable, bank-issued certificate representing ownership of stock securities by an investor outside the country of origin.

International Monetary Fund – IMF

An international organization created for the purpose of:

1. Promoting global monetary and exchange stability.
2. Facilitating the expansion and balanced growth of international trade.
3. Assisting in the establishment of a multilateral system of payments for current transactions.

Interest

1. The charge for the privilege of borrowing money, typically expressed as an annual percentage rate.
2. The amount of ownership a stockholder has in a company, usually expressed as a percentage.

Interest Rate

The monthly effective rate paid (or received if you are a creditor) on borrowed money. Expressed as a percentage of the sum borrowed.

Interest Sensitive Stock

Any stock whose price is extremely sensitive to changes in interest rates.

Interested Shareholder

A shareholder or association with beneficial ownership, whether direct or indirect, of enough voting stock to affect company decisions.

Interim Dividend

A dividend payment made before a company's AGM and final financial statements. This declared dividend usually accompanies the company's interim financial statements.

Joint

In general, a legal term describing a transaction where two or more parties act together.

Joint Account

A brokerage or bank account that is owned together (jointly) by two or more people

Joint Stock Company

An organization that falls between the definitions of a partnership and corporation. This type of company issues stock and allows for secondary market trading, however, stockholders are liable for company debts.

Joint Venture – JV

The cooperation of two or more individuals or businesses in a specific enterprise, each agreeing to share profit, loss, and control.

Jobber

A slang term for a market maker on the stock exchange.

Last Twelve Months – LTM

A term used to describe financial results during the period of the last 12 months.

Leading Indicator

A measurable economic factor that changes before the economy starts to follow a particular pattern or trend. Leading indicators are used to predict changes in the economy, but are not always accurate.

Leakage

A release of information to certain people before the official public announcement.

Liquidating Dividend

Payment by a firm to its owners from capital rather than from earnings.

Limit Down

The maximum amount that the price of a commodity futures contract is able to decline in one trading day.

Limit Order

An order placed with a brokerage to buy or sell a predetermined amount of shares at a specified price or better than the specified price. Limit orders also allow an investor to limit the length of time an order can be outstanding before cancelled.

Limit Up

The maximum amount that the price of a commodity futures contract is able to advance in one trading day.

Limited Liability

A type of liability that does not exceed the initial amount a person invested into a partnership.

Leading Indicator

A measurable economic factor that changes before the economy starts to follow a particular pattern or trend. Leading indicators are used to predict changes in the economy, but are not always accurate

Long Term

Holding an asset for an extended period of time.

Long Run

In terms of operating activities, a period of time in which all costs are variable.

Long Term Assets

1. Reported on the balance sheet, it's the value of a company's property, equipment, and other capital assets, less depreciation.
2. A stock, bond, or other asset that you plan on holding in your portfolio for a lengthy period of time.

Long Term Debt

Loans and financial obligations, lasting over one year, on which interest is paid.

Long Term Debt/Capitalization

A ratio indicating the financial leverage of a firm. It is calculated by dividing long term debt by the capital available:

Long Term Liabilities

Recorded on the balance sheet, a company's liabilities for leases, bond repayments, and other items due in more than one year.

Majority Shareholder

A person or conglomerate who owns more than 50% of the outstanding shares for a corporation.

Make a Market

Standing by ready to buy or sell a particular security as a dealer for its own account and provide liquidity for its clients.

Manipulation

The act of artificially inflating or deflating the price of a stock.

Margin

1. The use of borrowed money to purchase securities, referred to as "buying on margin."

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2. The amount of equity contributed by a customer as a percentage of the current market value of the securities held in a margin account.
3. In a general business context, margin refers to the difference between selling price and the cost of goods sold.

Margin Account

A brokerage account in which the broker lends the customer cash to purchase securities. The loan in the account is collateralized by the securities and cash. If the value of the stock drops sufficiently, the account holder will be required to deposit more cash or sell a portion of the stock.

Margin Call

A demand that an investor using margin deposit additional money or securities to bring a margin account up to the minimum maintenance margin.

Market Capitalization

The total dollar value of all outstanding shares. It's calculated by multiplying the number of shares times the current market price. This term is often referred to as market cap.

Market Sentiment

The feeling or tone of a market. It is shown by the activity and price movement of the securities.

Medium Term

Holding an asset for an intermediate period of time.

Merger

The combining of two or more companies, generally by offering the stockholders of one company securities in the acquiring company in exchange for the surrender of their stock.

Modern Portfolio Theory – MPT

A theory on how risk-averse investors can construct portfolios in order to optimize market risk for expected returns, emphasizing that risk is an inherent part of higher reward. Also called portfolio theory or portfolio management theory.

Mutual Company

A private company whose ownership is based through its customers.

Mutual Fund

A security that gives small investors access to a well diversified portfolio of equities, bonds, and other securities. Each shareholder participates in the gain or loss of the fund. Shares are issued and can be redeemed as needed. The fund's net asset value (NAV) is determined each day. Each mutual fund portfolio is invested to match the objective stated in the prospectus.

Market Order

An order to buy or sell a stock immediately at the best available current price. A market order guarantees execution. Often this type of order has low commissions due to the minimal work brokers need to do.

Maturity Date

The date on which a bond's principal or other liability investment is repaid to the investor and interest payments stop.

Net Income – NI

An individual or company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes, and other expenses.

Net Change

The difference between the closing price of a security on the trading day and the previous day's closing price.

Near Term – NT

Another term for "short term."

Net Asset Value – NAV

1. In the context of mutual funds, the total value of the fund's portfolio less liabilities. The NAV is usually calculated on a daily basis.
2. In terms of corporate valuations, the book value of assets less liabilities.

Net Asset Value Per Share

1. In mutual funds, the value of a mutual fund share. Calculated by dividing the total net asset value of the fund by the number of shares outstanding.
2. In corporate valuations, the net asset value divided by the number of shares outstanding.

Net Interest Margin Securities – NIMS

A type of security that allows holders to access excess cash flows resulting from securitized mortgage loan pools.

Net Operating Profit Less Adjusted Taxes – NOPLAT

Total operating profits for a firm with adjustments made for taxes.

Net Operating Profit After Tax – NOPAT

A company's potential cash earnings if its capitalization was unleveraged (that is, if it had no debt). NOPAT is frequently used in economic value added (EVA) calculations.

Calculated as:

$$\text{NOPAT} = \text{Operating Income} \times (1 - \text{Tax Rate})$$

Net Present Value – NPV

An approach used in capital budgeting where the present value of cash inflow is subtracted from the present value of cash outflows.

Net Volume

A security's uptick volume minus its downtick volume over a specified period. An indicator very similar to money flow.

New Issue

The event of a security being sold to the public for the first time.

No Par Value Stock

Stock that is issued without the specification of a par value indicated in the company's articles of incorporation or on the stock certificate itself.

No Quote

A designation indicating that no market makers are making an inside market at this time.

Nominee Dividend

A dividend that a person receives on behalf of someone else.

Non Performing Asset

Any asset that is not effectively producing income.

Normal Market Size

A share classification structure based on the number of shares outstanding. This determines the number of shares that a market maker can trade at the quoted price.

Open End Fund

A mutual fund that continues to sell shares to investors, and will buy back shares when investors wish to sell.

Outperform

An analyst recommendation meaning a stock is expected to do slightly better than the market return.

Outstanding Shares

The number of shares that are currently owned by investors. This includes restricted shares (shares owned by the company's officers and insiders) and shares held by the public. Shares that the company has repurchased are not considered outstanding stock.

Odd Lot

An amount of a security that is less than the normal unit of trading for that particular security.

Odd Lot Theory

A technical analysis theory/indicator based on the assumption that the small individual investor is always wrong. Therefore, if odd lot sales are up - that is small investors are selling stock - it is probably a good time to buy.

Odd Lots

An individual investor who buys securities, usually stocks, in odd lots. This is the opposite of someone who buys securities in round lots.

Option

A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

Oversubscribed

When the demand for a new issue of securities (IPO) exceeds the number of shares issued.

Outperform

An analyst recommendation meaning a stock is expected to do slightly better than the market return.

Overtrading

1. Excessive buying and selling of an investors stocks by their broker, also known as churning.
2. When a company is growing its sales faster than they can finance them, this usually leads to enormous accounts payable.

Online Trading

Making trades via the Internet.

Operating Cash Flow – OCF

The cash generated from the operations of a company, generally defined as revenues less all operating expenses, but calculated through a series of adjustments to net income.

Also known as "cash flow provided by operations" or "cash flow from operating activities."

Optimized Portfolio as Listed Securities – OPALS

A portfolio of securities used to closely track an index without the exposure of purchasing all securities within that index.

Over-The-Counter – OTC

A security which is not traded on an exchange, usually due to an inability to meet listing requirements. For such securities, brokers/dealers negotiate directly with one another over computer networks and by phone.

Overcapitalization

When a company has too much capital for the needs of its business.

Payout Ratio

The percentage of earnings paid out in dividends. It is calculated by dividing dividends per share by earnings per share.

Profit Margin

An indicator of profitability, It is calculated as net earnings after taxes divided by revenues. Profit margin is usually displayed as a percentage.

Price-To-Book Ratio

A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value (Book value is simply assets minus liabilities).

Pegging

1. A method of stabilizing a country's currency by fixing its exchange rate to that of another country.
2. A practice of buying large amounts of an actual commodity or security underlying an option close to its expiry date. This is done for the purpose of facilitating a rise in market price.

Price-Earnings Ratio - P/E Ratio

A valuation ratio of a company's current share price compared to its per-share earnings, calculated as:

Market value per share

Earning per share

Producer Price Index – PPI

A family of indexes that measures the average change over time in selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller.

Partnership

A business organization in which two or more individuals manage and operate the business. Both owners are equally and personally liable for the debts from the business.

Panic Buying

High volume buying brought about by sharp price increases.

Panic Selling

High volume selling brought about by sharp price declines.

Preferred Stock

A class of ownership in a corporation with a stated dividend that must be paid before dividends to common stock holders. Preferred stock does not usually have voting rights.

Parent Company

A company that owns or controls other companies through the ownership of an influential amount of voting stock.

Portfolio

The group of assets--such as stocks, bonds and mutual's--held by an investor.

Portfolio Manager

The person responsible for the investment of a mutual fund's assets, implementing its investment strategy, and managing the day-to-day portfolio trading.

Pre-Market

Trading done before the regular market opens.

Premium

The difference between the higher price paid for a security and the security's face amount at issue.

Price-To-Cash-Flow Ratio

A measure of the market's expectations regarding a firm's future financial health. It is calculated by dividing price per share by cash flow per share.

Privatization

The transfer of ownership from government owned to a privately owned corporation.

Public Offering Price – POP

The price at which new issues are offered to the public by an underwriter.

Paid in Capital

Capital received from investors in exchange for stock. This is recorded as an entry on the balance sheet.

Paid-Up

The state of a settlement when all payment obligations for a security has been completed.

Paid-Up Capital

The total amount of shareholder capital that has been paid in full by shareholders.

Participating Preferred Stock

A type of preferred stock that gives holders the right, under certain conditions, to receive additional earnings payouts over and above the specified dividend rate.

Performance Shares

Shares of company stock that are given to managers only if certain performance criteria is met.

Positive Volume Index – PVI

An index that focuses on days where the volume has significantly increased from the previous day's trading

Preferred Equity Redemption Stock – PERC

Preferred stock with special provisions limiting the value of its convertible shares and the mandatory redemption value at maturity.

Price Fixing

Establishing the price of a product or service, rather than allowing it to be determined naturally through free market forces. This procedure is often an illegal practice.

Price/Earnings to Growth - PEG Ratio

A ratio used to determine a stock's value while taking into account earnings growth. The calculation is as follows:

$$\frac{\text{Price / Earning Ratio}}{\text{Annual EPS Growth}}$$

Price/Earnings to Growth and Dividend Yield - PEGY Ratio

A variation of the PEG ratio where a stock's P/E ratio is divided by its projected earnings growth rate and dividend yield.

Primary Market

The market in which investors have the first opportunity to buy a newly issued security.

Prior Preferred Stock

Preferred stock with a higher claim on assets and dividends than other issues of preferred stock.

Private Investment, Public Equity – PIPE

This is when a private investment or mutual fund buys common stock for a company at a discount to the current market value per share.

Profit and Loss Statement - P&L

The portion of a company's financial statements that summarizes revenues and expenses during a specific period of time.

Punter

An investor who hopes to make quick profits. Basically, another term for speculator.

Purchase Acquisition

An accounting method used in mergers and acquisitions where the purchasing company treats the target firm as an investment, adding the company's assets to its own at fair market value.

Put

1. An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time.

2. The act of exercising a put option.

Quarter (Q1, Q2, Q3, Q4)

A three-month period on a financial calendar that acts as a basis for the reporting of earnings and the paying of dividends.

Q1	-	January,	February,	and	March
Q2	-	April,	May,	and	June
Q3	-	July,	August,	and	September
Q4	-	October,	November,	and	December

Quote

Short for quotation, this is the current or delayed price being offered for a particular security.

Return On Equity – ROE

A measure of a corporation's profitability, calculated as:

$$\frac{\text{Net income}}{\text{Shareholder's equity}}$$

The ROE is useful in comparing the profitability of a company to other firms in the same industry.

Return On Investment – ROI

The profit or loss resulting from an investment transaction, usually expressed as an annual percentage return.

Rating

1. An evaluation of a corporate or municipal bond's relative safety from an investment standpoint. Basically, it scrutinizes the issuer's ability to repay principal and make interest payments.
2. An analyst's recommendation on whether to buy, sell, or hold a specific stock.

Retail Investor

Individual investors who buy and sell securities for their personal account, and not for another company or organization.

Rally

A rise in the prices of individual securities, bonds, or indexes, following a period of flat or declining prices.

Recapitalization

Restructuring a company's debt and equity mixture without affecting the total amount of balance sheet equity.

Recession

A significant decline in activity spread across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income, and wholesale-retail trade. The technical indicator of a recession is two consecutive quarters of negative economic growth as measured by a country's GDP.

Regulated Investment Company – RIC

A mutual fund or real estate investment trust that is eligible to pass the taxes on capital gains, dividends, or interest payments onto the clients or individual investors.

Return On Investment Capital – ROIC

A calculation used to determine the quality of a company. The general definition for ROIC is as follows:

$$\frac{\text{Net Income} - \text{dividends}}{\text{Total Capital}}$$

Reverse Stock Split

A reduction in the number of a corporation's shares outstanding that increases the par value of its stock or its earnings per share. The market value of the total number of shares (market capitalization) remains the same.

Reverse Takeover – RTO

1. The buying out of larger company by a smaller company.
2. The purchasing of a public company by a private company.

Reverse Triangular Merger

When the subsidiary of the acquiring corporation merges with the target firm. In this case, the subsidiary's equity merges with the target firm's stock. As a result of the merger, the target

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would become a wholly-owned subsidiary of the acquirer and shareholders of the target would get shares of the acquirer.

Right

A security giving stockholders entitlement to purchase new shares issued by the corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Rights Offering (Issue)

The issuing of rights, to existing shareholders of a security, to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed period.

Rio Trade

In the securities market, a transaction made in a desperate attempt to recover previous losses.

Road Show

A presentation by an issuer of securities to potential buyers. It is intended to create interest in the securities.

Rolling EPS

Measuring a company's EPS by using the previous 2 quarters and adding them to the following 2 quarter's estimated EPS.

Secondary Market

A market in which an investor purchases an asset from another investor, rather than an issuing corporation.

Secondary Offering

A sale of securities in which one or more major stockholders in a company sell all or a large portion of their holdings. The underwriting proceeds are paid to the stockholders, rather than to the corporation.

Secondary Stock

A stock that is considered riskier than blue chips because it has a smaller market capitalization.

Short Covering

The purchase of shares previously sold short in order to close the open position.

Short Selling

The selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller. Short sellers assume that they will be able to buy the stock at a lower amount than the price at which they sold short.

Short Term

1. In general, holding an asset for short period of time.
2. In accounting, an asset expected to be converted into cash in the next year, or a liability coming due in the next year. Also known as current assets and liabilities.
3. For investing, a security that matures in one year or less.
4. For taxes, a holding period of less than one year.

Speculator

A person who trades derivatives, commodities, bonds, or equities with a higher than average risk, in return for a higher than average profit potential. Speculators anticipate large price movements in either direction.

Sales to Cash Flow Ratio

A ratio that indicates whether or not a company's sales are high in comparison to its cash flow, calculated as:

$$\frac{\text{Sales per share}}{\text{Cash Flow per share}}$$

Share Repurchase

A company's plan to buy back its own shares from the marketplace, reducing the number of outstanding shares. Typically, this is an indication that the company's management thinks the shares are undervalued.

Stock

Ownership in a corporation that is represented by shares. Also known as equities.

Shares

Certificates representing ownership in a corporation.

Spread

1. The difference between the bid and the ask prices of a security or asset.
2. An options position established by purchasing one option and selling another option of the same class, but of a different series.

Subsidiary

A company owned by another company that controls more than 50% of its voting stock.

Short

The general term used to describe the selling of a borrowed security, commodity, or currency, with the expectation that the asset will fall in price.

Strike Price

The stated price per share for which underlying stock may be purchased (for a call) or sold (for a put) by the option holder upon exercise of the option contract.

Stock Compensation

The payment of stock in lieu of cash for services provided.

Shareholder Value Transfer – SVT

A measurement of the amount of shareholders' equity flowing out of a company to its executives through exercised stock options.

Shareholder Value Added – SVA

A value-based performance measure of a company's worth to shareholders. The basic calculation is net operating profit after tax (NOPAT) minus the cost of capital from the issuance of debt and equity, based on the company's weighted average cost of capital (WACC).

Scrip

1. A written document that acknowledges a debt.

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2. A temporary document representing a fraction of a share resulting from a split or spin-off. They may be applied to the purchase of full shares.

Sector

A particular group of securities that are in the same industry

Share Capital

The portion of a corporation's equity obtained from issuing shares in return for cash or other considerations.

Share Purchase Right

A type of security that gives the holder the option, but not the obligation, to purchase a predetermined number of shares at a predetermined price, similar to a stock option or warrant. These rights are typically distributed to existing shareholders, who have the ability to trade these rights on an exchange.

Shareholder

Any person, company, or other institution that owns at least 1 share in a company. A shareholder may also be referred to as a stockholder.

Shareholders' Equity

A firm's total assets minus its total liabilities, or equivalently, share capital plus retained earnings minus treasury shares. It is the amount of the company that is financed through common and preferred shares.

Short Interest

The total number of shares of a security that have been sold short by customers and securities firms.

Simple Moving Average – SMA

A simple, or arithmetic, moving average is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods.

Single Stock Future – SSF

A future contract with an underlying of one particular stock, usually in batches of 100. No transmission of share rights or dividends occur.

Spot Market

1. A commodities market in which goods are sold for cash and delivered immediately.
2. A futures transaction which will expire in 1 month or less.

Spot Price

The current price at which a particular commodity can be bought or sold at a specified time and place.

Stakeholder

One who has a share or an interest in an enterprise.

Stock Dividend

A dividend payment made in the form of additional shares, rather than a cash payout.

Stock Compensation

The payment of stock in lieu of cash for services provided.

Stock Quote

A list of prices (generally bid, ask, and last) for a stock at a particular point during the trading day. Stocks used to be quoted in fractions, but now most all exchanges use decimals.

Stock Split

The division of a company's existing stock into more shares. In a 2-for-1 split, each stockholder would receive an additional share for each share formerly held.

Technical Analysis

A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value but rather use charts to identify patterns that can suggest future activity.

Technically Strong Market

A situation in which the stock market is rising on high volume or falling on low volume.

Technically Weak Market

A situation in which the stock market is rising on low volume or falling on high volume.

Trade

1. A transaction involving the sale and purchase of a security.
2. In general, the buying and selling of goods and services.

Transaction

The process of carrying out an order to buy or sell a security.

Technical Rally

An upward movement in a security's price following a declining trend. The movement is caused by technical as opposed to fundamental factors affecting sentiment.

Trading Halt

A pause in the trading of a particular security on one or more exchanges, usually in anticipation of a news announcement or to correct an order imbalance. During a trading halt, open orders may be cancelled and options may be exercised. A trading halt gives all investors equal opportunity to evaluate news and make buy, sell, or hold decisions on that basis. A trading halt may also be imposed for purely regulatory reasons.

Thin Market

A market with few bid and ask offers. The market is characterized by low liquidity, high spreads, and high volatility. Also known as a narrow market.

Takeover

A corporate action where an acquiring company makes a bid for an acquiree. If the target company is publicly traded, the acquiring company will make an offer for the outstanding shares.

Trailing EPS

The sum of a company's earnings per share for the previous four quarters.

Trailing Twelve Months – TTM

The timeframe of the past twelve months (the past year) used for reporting financial figures.

Turnover

1. In accounting, the number of times an asset is replaced during a financial period.
2. The number of shares traded for a period as a percentage of the total shares in a portfolio or of an exchange.

Underperform

An analyst recommendation that means a stock is expected to do slightly worse than the market return.

Also known as market underperform, moderate sell, or weak hold.

Undersubscribed

When the demand for a new issue of securities (IPO) is less than the number of shares issued. This is sometimes referred to as an under booking.

Underlying

1. In derivatives, the security that must be delivered if the contract is exercised.
2. In equities, the common stock that underlies certain types of securities such as warrants and convertible bonds.

Undervalued

A stock or other security that is trading below its true value.

Unissued Stock

When a corporation possesses authorized common and preferred shares, but never actually exchanges them for money or services.

Unit Trust – UT

An unincorporated mutual fund structure that allows funds to hold assets and pass through profits to the individual owners, rather than reinvest profits back into the fund.

Unlisted Security

A security that is not traded on an exchange, usually because of an inability to meet listing requirements.

Up Volume

A stock's volume when the security closes at a price higher than the previous day's close.

Upgrade

A positive change in the rating of a security.

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Volatility

1. In general, volatility is a statistical measure of the tendency of a market or security to rise or fall sharply within a short period of time. Volatility is typically calculated by using variance or annualized standard deviation of the price or return.
2. Volatility is a variable that appears in option pricing formulas. In the option pricing formula, it denotes the extent to which the return of the underlying asset will fluctuate between now and the expiration of the option.

Volume

The number of shares or contracts traded in a security or an entire market during a given period.

Volume of Trade

The quantity of futures contracts transacted over a specified period of time during a trading day.

Voting Right

The right of a stockholder to vote on matters of corporate policy as well as on who is to compose the board of directors.

Voting Shares

Shares that give the stockholder the right to vote on matters of corporate policy making as well as who will compose the members of the board of directors.

Value Added

The enhancement a company gives its product or service before offering the product to customers.

Value Stock

A stock that is considered undervalued by a value investor. Common characteristics of such stocks include a high dividend yield and low price-to-book ratio.

Value-Based Pricing

A pricing strategy in which a product's price is actively dependant upon its demand.

Venture Capital

Money and resources made available to start up firms and small businesses with exceptional growth potential.

World Trade Organization – WTO

An international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible.

Warrant

A derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time frame.

Working Capital

A valuation metric that is calculated as current assets minus current liabilities.

Working Capital Turnover

A measurement comparing the depletion of working capital with the generation of sales over a given period.

X

1. A stock symbol specifying that it is a mutual fund.
2. A symbol used in stock transaction tables found on the internet and in newspapers to indicate that a stock is trading ex-dividends or ex-rights.

XD

A symbol used to signify that a security is trading ex-dividend.

XDIS

A symbol used specifically upon the consolidated tape to indicate a security trading ex-distribution.

XRT

A symbol used specifically upon the consolidated tape to indicate a security trading ex-rights.

XW

A symbol used to signify that a security is trading ex-warrant.

Yield

1. A measure of the income generated by a bond, it is calculated as the amount of interest paid on a bond divided by the price.
2. The rate of return on an investment, usually expressed as an annual percentage rate.

Yield To Maturity – YTM

The rate of return anticipated on a bond if it is held until the maturity date. YTM is considered a long term bond yield expressed as an annual rate. The calculation takes into account the current market price, par value, coupon interest rate, and time to maturity. It is also assumed that all coupons are reinvested at the same rate. Sometimes this is referred to as a bond's "yield" for short.

Yo Yo

Slang for a market which moves up and down with great volatility.

Z

A stock symbol specifying that it is a miscellaneous situation such as a depositary receipt, stub, additional warrant, or unit.