Stock Investing: Terminology

AGENT: A person employed or appointed by an insurer or broker, who makes decisions on behalf of the client in managing an account. At no point in time in the entire transaction does the agent own the positions that are managed in the accounts.

ASK: The price at which an owner is willing to sell a stock. It is the opposite of a bid.

ASSETS: Everything a company has control over which has a potential future economic value: including cash, equipment, land, technology, etc.

BEAR MARKET: A market in which a broad number of stocks are declining for an extended period of time.

BETA: A measurement of the relationship between the price of a stock and the movement of the whole market.

BID: The price a buyer is willing to pay for a stock. It is the opposite of ask/offer.

BID-ASK SPREAD: The difference between the listed bid and the ask price.

BLUE-CHIP STOCK: Stocks of large, well-established, and financially-sound companies that are leaders in their industry and usually are household names. They may have a history of consistently increasing dividend payments to their stockholders.

BOND: A promissory note issued by a company, government, or other entity. It includes an end date where the principal is to be repaid and may include fixed or variable interest payments.

BOOK: An electronic record of managing all the pending buy and sell orders of stocks.

BROKER/BROKERAGE FIRM: A registered securities firm is called a broker or a brokerage firm. A broker acts as an intermediary between an investor and an exchange market.

BULL MARKET: A market in which a broad number of stocks are rising for an extended period of time.

CLOSE PRICE: The final price at which the stock is traded on a given trading day.

DEFENSIVE STOCK: A stock that provides constant dividends and stable earnings, even in periods of economic downturn.

DIVIDEND: Money distributed to company shareholders, typically on a quarterly basis.

DIVIDEND YIELD: Annual dividend payments divided by the current share price.

EQUITY: Common and preferred stocks, which represent shares in the ownership of a company.

EQUITY (ON BALANCE STATEMENT): What would remain if the company were to liquidate all its assets and pay off its debts. (Equity = Assets – Liabilities)

EXCHANGE: A place in which different investments are traded.

EXECUTION: When an order to buy or sell is filled.

FACE VALUE: The original cost of the stock, as listed on the certificate. For bonds, it is also known as par value, which is the amount that would be paid to the holder at maturity.

GOING LONG: By going long, you are purchasing shares of stock. You are looking to profit if the stock's price rises.

GOING SHORT: By going short, you are selling shares of stock that will need to be purchased later. You are looking to profit from a stock's price falling.

HEDGE: A strategy or an attempt to reduce the risk of adverse price movements of assets.

INCOME STOCK: A security which has a solid record of dividend payments.

INDEX: A statistical measurement of change in the economy or security market for which it tracks. Indices may have their own calculation methodology, which may be different from other indices.

LIMIT ORDER: An order to buy or sell a share at a specific price, or one that is more profitable. A limit order sets a minimum price the seller is willing to accept and a maximum price the buyer is willing to pay.

LISTED STOCKS: The shares of an issuer that are traded on the stock exchange. The issuer must pay fees to be listed in the stock exchange and abide by the regulations of the stock exchange to maintain listing privilege.

MARKET CAPITALIZATION: The total value of all a company's outstanding shares. It is calculated by multiplying all outstanding shares with the current market price of one share. It determines the company's size in terms of its wealth.

MARKET ORDER: Provides instructions to execute, as quickly as possible, a transaction at the present or market price.

MUTUAL FUND: A pool of money managed by experts by investing in stocks, bonds, or other securities. These experts create a diversified portfolio from these funds based on the fund's investment objectives as stated in its prospectus.

ONE-SIDED MARKET: A market that has only potential sellers or potential buyers but not both.

OUTSTANDING SHARES: The total number of a company's shares. It includes both the public float and restricted shares held by management or key investors.

PORTFOLIO: Holdings of any individual or institution. A portfolio may include various types of securities, bonds, commodities, cash, real estate, etc.

PUBLIC FLOAT: A company's freely traded shares.

RISK: The probable chance of an investment's actual returns being reduced from what is expected.

SECURITY/SECURITIES: A transferable certificate of ownership of investment in products such as stocks, bonds, futures, and options, which an individual holds.

STOCK SPLIT: An increase in the number of outstanding shares of a company by splitting the existing shares. It is usually done to increase the availability of shares in the market and simultaneously reduce the cost per share.

STOCK SYMBOL (a.k.a. TICKER SYMBOL): Most commonly, a one-to-four-character, alphabetic root symbol that represents a publicly traded company on a stock exchange.

THIN MARKET: A market in which there are comparatively low number of bids to buy and offers to sell. Since the number of transactions is low, the prices are very volatile.

TRADING SESSION: The period in which trading for both sellers and buyers occurs. The standard market hours for the stock exchanges are Monday through Friday, 9:30am to 4:00pm ET. Other markets may have different standard trading sessions. Investors may have approval for trading in extended hour sessions.

YIELD: The measure of return on an investment in terms of percentage. Yield is calculated by dividing the realized return by the principal amount invested, which may include the stock investment. Also, see Dividend Yield.