# 25 Basic Stock Market Trading Terms You Should Know



# 1. Averaging Down

This is when an investor buys more of a stock as the price goes down. This makes it so your average purchase price decreases.

## 2. Bear Market

This is trading talk for the stock market being in a down trend, or a period of falling stock prices. This is the opposite of a bull market.

## 3. Beta

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

# 4. Blue Chip Stocks:

These are the large, industry leading companies. They offer a stable record of significant dividend payments and have a reputation of sound fiscal management.

## 5. Bull Market

This is when the stock market as a whole is in a prolonged period of increasing stock prices. Opposite of a bear market.

## 6. Broker

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

# 7. Day Trading

The practice of buying and selling within the same trading day, before the close of the markets on that day.

## 8. Dividend

This is a portion of a company's earnings that is paid to shareholders, or people that own hat company's stock, on a quarterly or annual basis. Not all companies do this.

# 9. Exchange

An exchange is a place in which different investments are traded. The most well-known in the United States are the New York Stock Exchange and the Nasdaq.

## 10. Execution

When an order to buy or sell has been completed. If you put in an order to sell 100 shares, this means that all 100 shares have been sold.

## 11. Hedge

This is used to limit your losses. You can do this by taking an offsetting position.

## 12. Index

An index is a benchmark which is used as a reference marker for traders and portfolio managers.

# 13. Initial Public Offering (IPO)

The first sale or offering of a stock by a company to the public, rather than just being owned by private or inside investors.

## 14. Margin

A margin account lets a person borrow money (take out a loan essentially) from a broker to purchase an investment.

# 15. Moving Average

A stock's average price-per-share during a specific period of time. Some time frames are 50 and 200 day moving averages.

## 16. Order

An investor's bid to buy or sell a certain amount of stock or option contracts. You have to put an order in to buy or sell 100 shares of stock.

## 17. Portfolio

A collection of investments owned by an investor. You can have as little as one stock in a portfolio to an infinite amount of stocks.

## 18. Quote

Information on a stock's latest trading price. This is sometimes delayed by 20 minutes unless you are using an actual broker trading platform.

# 19. Rally

A rapid increase in the general price level of the market or of the price of a stock.

## 20. Sector

A group of stocks that are in the same business. An example would be the "Technology" sector including companies like Apple and Microsoft.

# 21. Spread

This is the difference between the bid and the ask prices of a stock, or the amount someone is willing to buy it and someone is willing to sell it.

# 22. Stock Symbol

A one-character to three-character, alphabetic root symbol, which represents a publically traded company on a stock exchange. Apple's stock symbol is AAPL.

# 23. Volatility

This refers to the price movements of a stock or the stock market as a whole. Highly volatile stocks are ones with extreme daily up and down movements and wide intraday trading ranges.

#### 24 Volume

The number of shares of stock traded during a particular time period, normally measured in average daily trading volume.

#### 25. Yield

This usually refers to the measure of the return on an investment that is received from the payment of a dividend. This is determined by dividing the annual dividend amount by the price paid for the stock.