

CHAMBER FOREIGN EXCHANGE

FX* SIMPLIFIED

*Foreign exchange

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Active account

An account at a brokerage firm or a bank which generates more activity and transactions than normal, which focuses on outperforming a benchmark index.

Aggregate

Total or sum.

Allocation

Designation of an item to a specific purpose or place.

American-style option

A type of option that can be exercised at any time between the purchase date and the expiration date. Most options in the US are of this type. This is different to a European-style option, which can only be exercised on the date of expiration.

Arbitrage

Profit made from a price discrepancy between markets when securities are purchased on one market and then immediately sold on another market.

Ascending bottoms

Technical analysis term for a chart pattern in which each successive low price is higher than the previous one; generally considered a bullish indicator.

Ascending tops

A technical analysis term for a chart pattern in which each successive high price is higher than the previous one; considered a bullish indicator.

Asian option

An option whose payoff depends on the average price of the underlying asset over a certain period of time as opposed to at maturity.

Ask

The lowest price that any investor or dealer has declared that they will sell at.

Asset

Any item of economic value owned by an individual or corporation, particularly that which could be converted to cash. Examples are cash, securities, accounts receivable, inventories, office equipment, real estate, cars and other property.

At par

A term used to state that a price is the same as the face value.

At the close

Also known as 'on close'. The end of a trading session.

Average down

The purchasing of additional shares of a stock that one already holds a position in, and which has dropped in price since the earlier purchase.

B shares

Class of mutual fund characterised by a rear-end load structure where fees are charged/paid only when selling the fund.

Balance

The amount of money in an account.

Bank rate

The interest rate charged by a bank for loans.

Base rate

The UK base rate is generally the average interest rate that British banks charge to their customers, the equivalent to the prime rate in the US.

Basis

Purchase price, including commissions and other expenses used to determine capital gains and capital losses for tax purposes.

Basis point

A basis point is defined as 1/100 of 1% and is used to note changes in the rates of financial instruments. Basis points, or 'bps' for short, are most commonly used in quoting interest rate and yield changes.

Bear

An investor who believes that a security, a sector, or the overall market is about to fall (opposite of bull).

Bear market

A prolonged period in which investment prices fall.

Benchmark

A standard of comparison. Generally this term is used in reference to a security, index, or other investors.

Bid

Also referred to as 'bid price', the bid is the price a party is willing to pay for a security or other instrument.

Bid-ask spread

The bid-ask spread, also known as the 'bid-offer spread', is the quote of the price at which participants in a market are willing to buy or sell a good or security. Specifically, the bid price is the price at which a party is willing to purchase, while the ask (or offer) price is the price at which the same person or another party is willing to sell the same good or security.

Bid-offer spread

The difference between the selling price and the purchase price for traded instruments. When you ask a broker what price a currency pair is, they will quote two prices: the bid price is the price at which you can sell a currency pair, and the offer price is the price at which you can buy it. The first is always lower than the second, and the difference between them is the spread. Market makers, who act like wholesalers in the stock market, make their profit from the spread - buying at the bid price and selling at the offer price.

Blue-chip

A term used to describe the stock of a company that is generally large, national, and has a long history of sustained earnings and dividend payments.

Bollinger bands

Developed by John Bollinger, Bollinger bands consist of three lines; a 20 period simple moving average, a line placed two standard deviations above the 20 period simple moving average and a line placed two standard deviations below the 20 period simple moving average.

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Bond

A debt instrument issued for a period of more than one year with the purpose of raising capital by borrowing.

Breakout

Technical analysis term used to describe price action rising above resistance or dropping below support.

Broker

A broker is an intermediary acting between a client and a market maker – a broker will charge a commission for his services.

Bull

Bull refers to having a positive outlook on a particular security or an investment (opposite of bear).

Bull market

A prolonged period in which investment prices rise faster than their historical average. Bull markets can happen as a result of an economic recovery, an economic boom, or investor psychology.

Buy

To obtain ownership of a security or other asset in exchange for money or value.

Cable

The common name for the GBP/USD currency pair.

Call

A call is an option contract that gives the holder the right (but not the obligation) to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration or maturity date). Also called 'call option'.

Call rate

The interbank interest rate for funds not deposited for a fixed period.

Capital gains tax

A tax taken on profits made through the sale of assets held for investment.

Cash market

The market for the purchase and sale of physical currencies.

Central bank

The generic name given to a country's primary monetary authority, such as the Bank of England.

Clearing house

An agency associated with an exchange, which settles trades and regulates delivery.

Close

Closing a position refers to ending one's exposure to movements in the market.

Collateral

Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default. Also known as 'security'.

Commodity

A basic good, such as food, grains and metals, which is interchangeable with other commodities of the same type. Investors buy or sell, usually through futures contracts.

Consumer Price Index

The Consumer Price Index (CPI) is one of the leading economic gauges to measure the pace of inflation. Simply put, CPI measures the acceleration of price in a fixed basket of goods and services.

Contango

A condition in which distant delivery prices for futures exceed spot prices. This occurs due to the costs of storing and insuring the underlying commodity.

Contract for difference (CFD)

A contract for difference (CFD) is a contract between two parties, buyer and seller, stipulating that the seller will pay to the buyer the difference between the current value of an underlying equity share and its value at contract time. If the difference is negative, the buyer will pay the seller.

Convertible currency

Currency that can be freely exchanged for other currencies or gold without special authorisation from the appropriate central bank.

Corporate action

Any event initiated by a corporation that impacts its shareholders.

Counterparties

Parties on either side of a transaction.

Credit rating

A published ranking, based on detailed financial analysis by a credit bureau, of one's financial history, specifically as it relates to one's ability to meet debt obligations.

Cross rate

Exchange rate that does not involve the US dollar. For example, the euro/yen is called a cross.

Currency pair

Because the value of one currency is only relevant when put in terms of another, FX traders will always deal in currency pairs.

DAX 100

This is the price-weighted index of the one-hundred most heavily traded stocks in the German exchange.

Day trading

Refers to opening and closing of the same position or positions within the same trading day.

Delivery month

The month of expiration for a futures contract.

Depository receipt

This is often called an ADR. It is a negotiable certificate issued by a US bank. It represents a specific number of shares of a foreign stock traded on a US stock exchange. ADRs make it possible for Americans to easily invest in foreign companies.

Depth of market

The quantity of shares of a security that can be bought or sold without causing a noticeable change in price.

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Derivative

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, such as a commodity, bond, equity or currency. Futures and options are prominent examples of derivatives. Advanced investors sometimes purchase or sell derivatives to manage the risk associated with an underlying security, to protect against fluctuations in value, or to profit from periods of inactivity or decline.

Desktop ticker

A tool for providing real time or delayed quotes on a computer screen.

Dip

A small, short-term decline in price.

Discount

The amount by which a bond's market price is less than its par value.

Discretionary account

An account whose holder gives his broker or someone else the absolute or restricted authority to buy and sell securities. This type of account is also called a 'controlled account' or 'managed account'.

Discretionary managed investment account

An account in which an individual gives authority to a professional to manage trading and investing in certain financial products with a certain level of discretion.

Diversification

An investment strategy designed to manage risk. Components of the portfolio are mixed with securities of varying characteristics unlikely to all fluctuate in the same direction. The idea behind the technique is that the portfolio as a whole will produce more stable and consistent yields, while posing lower risk than any individual components within the portfolio.

Dividend

A taxable payment extracted from a company's current or retained earnings. It is declared by a company's board of directors and given to its shareholders.

Dollar rate

The dollar rate is when a variable amount of foreign currency is quoted against one unit of the US dollar. The exception is sterling/US dollar (cable) which is quoted as units to the US dollar to one pound sterling.

Dove

'Dovish' refers to an economic outlook which generally supports lower interest rates. Doves take the position that inflationary pressures are low enough for low interest rates to be desirable.

Dow Jones Industrial Average

Abbreviated as DJIA. This is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials.

Earnings per share

Abbreviated as EPS, refers to the total earnings divided by the number of shares outstanding.

Economic indicator

Any kind of statistical data showing general trends in the economy.

Economy

Activities pertaining to the production and distribution of goods and services in a particular geographic region.

Emerging market

A financial market of a developing country. Emerging markets are the equivalent to small growth stocks - with a relatively short operating history, high risk and volatility, as well as high potential.

EMS

European Monetary System.

EMU

European Monetary Union.

Equity

Equity has a variety of meanings in the financial world:

- In stocks it refers to the ownership interest in a corporation in the form of either common or preferred stock.
- Shareholders equity is a term used to describe the difference between total assets minus total liabilities.
- In real estate, equity is the difference between what a property is worth and what the owner owes against that property (i.e. the difference between the property's value and the remaining mortgage or loan payments on that property).
- In the context of a trading facility, equity equal to any cash value plus the market liquidation value of the securities in the facility.

ERM

Exchange Rate Mechanism.

Euro

The name for the composite monetary unit that has replaced national currencies in several European countries.

European Central Bank

European Central Bank (ECB). The central bank empowered to manage monetary policy for the eurozone - the group of countries that use the euro single-currency.

European-style option

An option which can only be exercised for a short, specified period of time just prior to its expiration, generally a single day.

Exchange

Any organisation, association or group which provides or maintains a marketplace where securities, options, futures, or commodities can be traded; or the marketplace itself.

Exchange rate depreciation

Currency which loses in value against one or more currencies.

Exchange rate risk

The potential loss that could be incurred from an adverse movement in exchange rates.

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Exchange traded fund

Abbreviated as ETF, refers to a fund that tracks an index, but can be traded like a stock. ETFs always bundle together the securities that are in an index.

Ex-dividend

A security which no longer carries the right to the most recently declared dividend; or the period of time between the announcement of the dividend and the payment.

Exercise

To implement the rights of an option, by purchasing (in the case of call options) or selling (in the case of put options) the underlying asset.

Exit

The way in which an investor closes out a specific position, generally by converting it to cash.

Expiration

Termination, end.

Exposure

The condition of being subjected to a source of risk.

Ex-rights

The purchase of stock without the right to purchase additional shares at a price below the current market price.

Face value

The nominal amount assigned to a security by the issuer. It is generally a very small amount that bears no relationship to its market price.

Fair value

A valuation, in accordance with standard methodology, that is reasonable to all parties involved in a transaction in light of all pre-existing conditions and circumstances.

Fed

The 7-member board of governors that oversees Federal Reserve Banks, establishes monetary policy (interest rates, credit, etc.), and monitors the economic health of the US.

Fed funds rate

Federal funds rate is the interest rate banks use to borrow money in the US. Such borrowing can help to ensure institutions meet reserve requirements created by the Federal Reserve System.

Fiscal

Relating to money, especially government taxation and spending policies.

Fixed exchange rate

Official rate of exchange set by monetary authorities for one or more currencies. In practice, some fixed exchange rates are allowed to fluctuate between defined upper and lower bands.

Fixed income

Fixed income in finance refers to securities that offer constant and predictable rate of returns.

Flat/square

Where a client has not traded in that currency or where an earlier deal is reversed thereby creating a flat (neutral) position. For example, if you bought £100,000, then sold £100,000 = Flat.

Floating rate

When the value of a currency is decided by supply and demand.

Forward

A contract obligating one party to buy and another other party to sell a financial instrument, equity, commodity or currency at a specific future date.

Forward rate

The rate at which a foreign exchange contract is struck today for settlement at a specified future date.

Free float

Shares of a public firm that are freely available to the investing public.

FTSE

Abbreviation for The Financial Times Stock Exchange 100 stock index, a market cap weighted index of stocks traded on the London Stock Exchange.

Fundamental analysis

Analysis based on economic and political factors.

Futures

Futures are standardised, transferable, exchange-traded contracts that require delivery of a commodity, bond, currency, or stock index, at a specified price, on a specified future date.

FX

FX is an abbreviation of 'foreign exchange'. FX is the exchange of one currency for another.

Gap

The significant price movement of a security or commodity between two trading sessions, such that there is no overlap in the trading ranges for the two days.

Gilt

A bond issued by the UK government, and is the UK equivalent of a US Treasury security.

Global depositary receipt

Abbreviated as GDR, which refers to a negotiable certificate held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

GLOBEX

A global after-hours electronic trading system.

Good til cancelled

Abbreviated as GTC, which refers to an order to buy or sell which remains in effect until it is either executed or cancelled.

Greenback

The slang term for US paper currency.

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Gross

The total amount before anything is deducted.

Haircut

In the context of lending, the difference between the value of a loan and the value of the collateral securing that loan. Or more generally, a term used for any of a wide variety of spreads and margins.

Hawks

Hawks believe that inflationary pressures are, or will be, high enough to sufficiently erode purchasing power. Hawks generally support higher interest rates, tight fiscal policy and restrictions in monetary expansion in order to keep inflation rates low. Hawkish refers to a negative (high) inflationary outlook and its effects on society.

Hedge

A hedge is a type of protective investment designed to offset adverse price movements in a given asset. Typically, a hedge is an offsetting position taken in a related security.

High

The greatest value that a security or currency hits during a specific period of time.

Historical

Over a specific period of time in the past.

Holding company

A firm that owns enough voting stock in another firm to control management and operations by influencing or electing its board of directors.

Illiquid

That which cannot quickly and easily be converted into cash, such as real estate, collectibles and thinly traded securities.

Index

A statistical indicator providing a representation of the value of the securities which constitute it.

Inflation

The rate at which prices for goods and services rise.

Initial margin

The deposit required from a client when they transact a forward order.

Instrument

In general, any financial security such as a bond, stock, check, etc. Money market securities and capital market are also referred to as instruments.

Interbank rates

The FX rates that large international banks quote other large international banks. The difference between the buy rate and the sell rate (the spread can be around 0.07%). Normally the public and other businesses do not have access to these rates.

Interest rate risk

The potential for losses arising from changes in interest rates.

Intra-day

In the simplest terms, the purchase and sale, or sale and purchase, of a security on the same day. Day traders aim to make profits on a large number of intra-day transactions. They follow the markets, use technical analysis to spot price trends and get 'in and out' very quickly.

Joint account

A type of account controlled and maintained by two or more people.

Level 1 quotes

The quotes of the best bid and ask prices for a given instrument.

Level 2 quotes

The quotes of the bid and ask prices for each individual market maker for a given instrument, enabling investors to identify the market maker offering the lowest bid-ask spread.

Level 3 quotes

The Level 3 quotes combined with the ability to enter quotes, execute orders and transmit other information. Only NASD member firms which are market makers have this ability.

Leverage

Leverage is used in spot FX trading as a tool to maximise the returns of trading. The higher the leverage, the larger the potential returns and losses.

Clients can choose from two leverage profiles:

Active – The leverage on the account will be set at a maximum of up to ten times the value of the account at the start of each trading week. For example, if a customer provides an initial deposit of £25,000 then the value of the total trading positions at any one time will be up to £250,000.

Conventional – The leverage on the account will be set at a maximum of five times at the start of each trading week, reducing exposure to losses and potential gains. Taking the previous example, if a customer provides an initial deposit of £25,000, then the value of the total trading positions at any one time will be up to £125,000.

LIBOR

Acronym for London inter-bank offer rate. The interest rate that the banks charge each other for short-term loans.

Limit order

An order given which has restrictions upon execution. The client specifies a price and the order can be executed at the prevailing market price only if the market reaches the specified price.

Liquid asset

The degree to which an asset is able to be converted quickly into cash.

Liquid market

The degree to which market participants are willing to buy and sell at every price level.

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Long (buy)

Investors are said to be 'long' when they have bought a security in the expectation that the price will rise. A long position can be closed out by selling an equivalent amount of the security.

Long position

A trader is in a long position when they have bought an instrument. The state of actually owning a security, contract or commodity.

Macro

The word 'macro' means large, or relating to an entire system.

Managed account

An account for which the holder gives his or her broker the authority to buy and sell instruments.

Margin

Margin is a good faith deposit that a trader puts up as collateral to hold a position. The amount of margin that a trader puts up determines their leverage.

Margin call

A call from a broker to a client requesting additional funds to hold as collateral against open positions that have moved adversely.

Market makers

Market makers fulfil buy and sell orders from brokers and create a marketplace for the buying and selling of spot FX to match supply and demand.

Maturity

Date for settlement.

Micro

The word 'micro' means small or referring to one item in a system.

NASDAQ

A computerised system established by the National Association of Securities Dealers providing brokers/dealers with current bid and ask price quotes on over-the-counter stocks and some listed stocks.

Net

Net value measures the liquid value of an asset after being adjusted for expenses, depreciation, amortization, deductions or other liabilities.

Nominal

A quantity that is not adjusted for inflation.

OCO

One-cancels-the-other order. Where the execution of one order automatically cancels a previous order.

Offer

The lowest price for which an investor or dealer is willing to sell a given security or commodity.

OPEC

Acronym for Organization of Petroleum Exporting Countries, which refers to a group of oil-producing countries that choose to collaborate in order to manage the exportation of their crude oil to the rest of the world.

Open

The initial price of a given security or commodity in a trading session.

Open position

Any deal which has not been settled by a physical payment or reversed by an equal and opposite deal for the same value date.

Outright forward

Foreign exchange transaction involving either the purchase or the sale of a currency for settlement at a future date.

Outright rate

The forward rate of a foreign exchange deal based on the spot price plus or minus the forward adjustment, which represents the difference in interest rates between the two currencies.

Over-the-counter

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

P/e ratio

Abbreviation for price/earnings ratio, which refers to a common measure of the degree of expensiveness of a stock.

Pairs trade

The establishment of a long position in one stock and a short position in another stock at the same time, minimising the effect of larger market trends.

Par

The face value of a bond. The nominal dollar amount assigned to a security by the issuer.

Parity

Equality, as in amount.

Peak-to-peak valuation

Peak-to-peak (sometimes referred to as the high water mark) valuation is a process of assessing and only charging performance fees on gains in the net asset value of an account from the last recorded month end high point (peak). Therefore, if an account makes a loss in a month, or the gains in the month fail to take the account balance above the last recorded high point (peak), then no performance fee will be charged.

Performance fee

A performance fee is a fee that may be charged by the investment manager that manages a fund's assets, calculated by reference to the increase in the fund's net asset value (NAV), which represents the value of the fund's investments.

Performance fees are widely used by the investment managers of hedge funds, which typically charge a performance fee of 20% of the increase in the NAV of the fund.

Pip

Pip or percentage point refers to the very last digit of a currency price.

Pivot point

A technical indicator determined by averaging a particular stock's high, low and closing prices.

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Plaza Agreement

Agreement made between the US, France, Germany, Japan and the UK in 1985 to work together in influencing exchange rates.

Point

Price changes are normally quoted in percentage points and are often denoted to one hundredth of a percent.

Political risk

The potential for loss arising from a change in government policy.

Power of attorney

A legal document allowing a person to assign another person to act on their behalf.

Premium

The amount by which a bond or stock sells above its par value.

Primary market

The market for the issuance of new securities.

Principal

A company or individual who buys and sells currencies for their account as opposed to a broker who introduces a buyer to a seller and vice versa.

Proprietary trading system

Proprietary trading system refers to an automated or particular method of trading that is unique to that trading/investment manager. Many trading professionals have developed trading methods or algorithms that initiate trades in a certain way when certain market conditions arise to ensure speed and consistency of trade execution.

Public company

A firm that has issued securities through an offering and are now traded on the open market.

Put option

An option contract that gives the holder the right to sell a certain quantity of an underlying security to the writer of the option, at a specified price.

Qualitative analysis

Securities evaluation using subjective, non-quantifiable information.

Qualitative assessment

Qualitative research relies on reasons behind various aspects of behaviour. Simply put, it investigates the why and how of decision-making, not just what, where and when.

Quantitative analysis

The use of numerical or measurable information in evaluating a security, company or market.

Quantitative assessment

In finance, this means the application of mathematics to finance and investment decisions.

Rally

A substantial rise in the price of a currency, stock, commodity, bond or overall market.

Range

Range refers to the area between high and low prices a currency pair tends to trade between during a given period of time.

Realise

To make something real from a transaction, such as to get the profit from an investment that has appreciated by selling it.

Regulation

A rule designed to control the conduct of those to whom it applies.

Resistance

The price level at which a currency pair has difficulty trading above.

Reuters

Screen based information and price reporting system.

Reversal

Change in the general direction of a market, such as a rally. Also known as 'trend reversal'.

Right

A privilege allowing existing shareholders to purchase shares of an issue of common stock shortly before it is offered to the public, at a specified and generally discounted price, and generally in proportion to the number of shares already owned.

Risk

The possibility of loss in absolute terms or relative to expectations.

Risk management

A risk is defined as anything that has the potential to negatively affect a business or organisation. Risk management refers to the assessment of potential or actual problems followed by action to reduce the risk or eliminate it completely.

Rollover

Rollover refers to the interest traders may earn or be charged daily, for positions in the spot FX market.

S&P 500

Standard & Poor's 500. A basket of 500 US stocks that are considered to be widely held.

Scalp

The practice of trading quickly for small gains, often holding a position for less than a day.

Secondary market

A market in which an investor purchases a security from another investor rather than the issuer, after the original issuance in the primary market.

Security

Any form of a tradable contract that carries a specified value. A security represents ownership (i.e. stocks), a debt agreement (i.e. bonds), or the rights to ownership.

Segregated customer account

A segregated account is an account used by brokerage firms to keep the customers' assets/money separate from the firm's assets/money. This is a regulatory requirement which then protects customers' funds in the event the broking firm becomes bankrupt, insolvent or is unable to continue as a going concern.

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Sell

The process of liquidating an asset held in the market.

Sell-off

A sudden drop in price as a result of widespread selling.

Settlement

Actual physical exchange of one currency for another between principal and client.

Share

A certificate representing one unit of ownership in a corporation, mutual fund or limited partnership.

Short

A trader is in a short position when they sell an instrument.

Short (sell)

An investor is short when they sell a security in the hope that the price will fall allowing them to buy them back at a cheaper price. A short position can be closed out by buying an equivalent amount of the security originally sold.

SIPP

Acronym for Self Invested Pension Plan. A type of UK government approved personal pension scheme, which allows individuals to make their own investment decisions from the full range of HM Revenue and Customs (HMRC) approved investments.

Speculation

Speculation is the practice of selecting investments (exposing one's self to risk) with the intention of profiting from price fluctuations.

Spot

Spot literally means for immediate delivery.

Spread

The Spread refers to the difference between the sell and buy price for a security.

Stop-loss

A stop-loss is a simple concept designed to limit losses on trading. The investor simply sets a rule that when a security's price gets to a certain level, they will sell/buy the security to close out the original trade, no matter what. Initiation of a stop-loss is automated in most trading software.

Support levels

A price level at which you would expect buying to take place.

Target price

The price at which a holder of a stock plans to sell the stock.

Technical analysis

Technical analysis is a method of investing. It focuses on past price movements and attempts to identify trends that indicate future price movement. Underpinning technical analysis are three core principles, which are central to the technical analysis faith:

- Share prices move in patterns. Patterns repeat themselves. If you anticipate a pattern correctly, you can profit from it.
- Different technical analysts use different techniques, but for the most part they rely on the same raw data:
 - Price (whether security prices, futures or option prices)
 - Volume (the number of instruments traded per day)

Tick

This is the smallest possible movement in the price of a security.

Ticker

A scrolling display of current security prices and/or volumes.

Trend

The general pattern of movement for prices or rates.

Unit

A specific quantity accepted as a standard for exchange.

Unwind

Unwinding a trade refers to the action of cancelling out an earlier position with a new order.

US prime rates

The rate at which US banks will lend to their prime corporate customers.

Value date

Settlement date of a spot or forward deal.

Variation margin

Additional funds to be deposited by a client when an adverse price movement has caused funds to fall below the broker's margin requirement, thus the designated position is not covered with the existing margin value.

Volatility

A term that refers to the uncertainty or risk change in an underlying securities value.

Volume

Volume is the number of contracts, shares or any other unit of trade in a security over a certain period of time.

Voting right

The right of a common stock shareholder to vote for members of the board of directors and other matters of corporate policy.

Wall Street

Considered to be the historical heart of the Financial District in New York. It was the first permanent home of the New York Stock Exchange.

Warrant

A security that gives the holder the right to purchase securities from the issuer at a specific price within a given time-frame.

Whipsaw

Money in a volatile market as a result of buying securities before rapid drops and selling before rapid rises.

Write

To 'write' means to sell an option.

Zero-coupon bond

A debt security that does not offer any interest (a coupon), but trades at a deep discount of face value, offering the potential for return when the instrument matures at full face value.