

Stock Market Terminology

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20 terms you need to know

Learning the language of the stock market is an ongoing process, but these 20 terms will help you get started as you prepare to build your own portfolio, analyze stocks and track the markets.

1. Annual report	A report to shareholders produced yearly, produced by all publicly priced companies who issues stock.
2. Balance sheet	The financial statement which shows all of the liabilities and assets of a company.
3. Bid price	The sale price of stocks or shares.
4. Blue chip	The stocks of large cap, highly reputed companies, reliable for long term stability.
5. Capital	The money used for setting up and launching a new business.
6. Debenture	A type of stock that a company issues that is backed by assets.
7. Dividend	The portion of a company's profits that is distributed to company's shareholders, normally on a regular basis.
8. Equities	These are ordinary common stock shares, representing a share of ownership in a company.
9. Exchange	These are the platforms both real and electronic where stock trades take place. Examples: The New York Stock Exchange (NYSE), The NASDAQ and the CBOE.
10. Futures	Contracts that allow any holder the legal right to buy or sell commodities in the future at a price set today.
11. Hedge	To insure the risk, often refers to offsetting a risky stock move with a safer play, in case the first does not go as planned.
12. Initial public offering	The issue of new shares by a previously private company as it becomes a publicly owned and traded company.
13. Limit order	This is an order to any stockbroker specifying any fixed price limit.
14. Options	The term means the right to purchase (call option) and sell (put option) a particular share at a particular price within a specific period.

15. Over the counter	Refers to a marketplace outside the main stock market Usually OTC stocks are not listed nor traded on exchanges, and vice versa.
16. Proxy	Anybody who votes on another person's behalf if the person is unable to attend a shareholders' meeting.
17. Liquidation	Converting the prevailing assets of a company to cash, can be a sign that business is failing and cash is needed to cover liabilities.
18. Offer price	Refers to the specific price at which one can buy stocks and shares.
19. SEC	The Securities and Exchange Commission is a federal regulatory body that monitors all stock and commodities trading and companies involved therein.
20. Yield	The gross dividend presented as the percentage of the share price. A partial measure of what an investor returns on their investment in a stock.

Overwhelmed? Don't be. There's a lot to learn, but if you spend time learning these terms, they'll help you to better understand and assess investing from the ground up.