

Investment Glossary

AAA

The highest rating given by bond rating agencies implying the least amount of risk.

abandonment

The act of not exercising or selling an option before its expiration.

acceleration clause

A provision that allows a lender the right to demand payment of the entire outstanding balance upon a creditor's missed payment or failure to meet the terms of the contract.

account

A record of all transactions.

accountant

A person who performs bookkeeping, prepares tax returns, records business transactions for individuals, and prepares financial statements for companies.

accounts payable

Amounts owed by an individual or company to a creditor for merchandise or services purchased on an account.

accounts receivable

Amounts due to an individual or company by a customer or debtor for merchandise or services purchased on an account.

accredited investor

A wealthy investor with a net worth of at least \$7 million or more than \$200,000 in gross annual income.

accretion

Asset growth by internal expansion or acquisition.

accrual basis accounting

A method of accounting in which transactions are recorded when revenues and expenses are incurred, regardless of whether or not cash has been paid or received.

accrued interest

All the interest that has accumulated between the most recent payment and the sale of a bond or other fixed-income security.

accumulation

Buying over a period of time, to avoid making a single, substantial purchase that might drive up the market price.

acid test ratio

Also called a quick ratio, an indicator of company's financial strength by dividing current assets minus inventories by current liabilities.

acquiring company

A company that acquires a targeted company.

acquisition

The act of one corporation buying another one.

active market

A market with a high volume of trading between securities, and very little price difference between bid and asked prices.

actuary

A specialist in the mathematics of risk covering premiums, reserves, dividends, insurance, and annuities.

adjustable rate mortgage (ARM)

A mortgage in which the interest rate can fluctuate based on a stated index during a stated time period, typically with a low initial rate.

adjusted gross income (AGI)

Total income as reported on Federal Form 1040, including allowable adjustments such as IRA contributions, alimony expense among others.

affiliate

A company which is controlled by another company either by ownership or a minority interest.

after hours trading

Trading that takes place after regular markets close, usually weekdays from 4:00pm to 6:30pm EST.

aftermarket performance

A benchmark of IPO performance, often tracked from the first day's closing price rather than the offering price.

agency security

Any bill, note or bond issued by a federal agency.

agent

A person authorized by a written agreement to act on behalf of another person.

aggressive growth fund

A mutual fund which owns stock of smaller companies with high potential for growth.

alert

A notification by email or pager of a market event or price target reached.

alimony

Payments made to a divorced or separated spouse as required by a divorce decree or legal separation agreement.

all or none

A trading instruction to execute a trade if and only if it can be bought or sold in its entirety.

allocation

The amount of stock in an IPO granted by the underwriter to an investor, often based on investing history or ability to hold for the long-term.

allowance

A dollar amount used to reduce federal and state taxes.

alpha

A measure of risk-adjusted performance calculated by regressing the security's excess return on the S&P 500 excess return.

alpha equation

$(y - b*x)/n$, where n = number of observations in months, b = beta of a fund, x = sum of rates of return for the S&P 500, y = sum of rates of return for the fund.

alternative minimum tax (AMT)

A federal tax aimed at wealthy tax payers so that they are forced to pay at least a minimum level of income tax.

American Association of Individual Investors (AAII)

A non-profit organization whose mission is to help educate individual investors.

American Depositary Receipts (ADR)

Certificates which represent a certain number of shares of a foreign stock, traded on U.S. stock exchanges as any other security is traded, but with the underlying foreign stock kept at U.S. banks in foreign countries.

American Depositary Share (ADS)

The tradable share issued under an ADR agreement.

American Stock Exchange (AMEX)

A major stocks and options exchange, merged with NASD in 1998.

American-style option

An option that can be exercised any time between the purchase date and the expiration date.

AMEX Market Value Index

An index that tracks the performance of over 800 companies that are listed on the American Stock Exchange.

amortize

To repay debt in installments over time.

analyst

A professional who analyzes companies setting forecasts about their future earnings, revenues, growth rate, and stock price target and making portfolio recommendations, typically as an employee of a brokerage or investment bank.

angel investor

An investor who invests directly into private, start-up companies, usually considered among the most risky investments.

announcement date

Also called a declaration date, the date on which a company's board of directors meet to announce the date and amount of the next dividend.

annual percentage rate (APR)

The interest to be paid expressed in annual terms.

annual report

A report published by a company on an annual basis to update the investment community.

annual return

The percentage profit from an investment over a one-year period.

annuitant

A person who receives payment from an annuity.

annuity

A tax-deferred retirement account offered by an insurance company with a periodic fixed payment made to the policy owner for a specified number of years.

appraisal

The process of an appraiser giving a measure of market value to property such as residential real estate.

appreciation

An increase in the value of an asset.

appreciation fund

A mutual fund that invest in stocks whose values are expected to increase significantly.

arbitrage

Simultaneous buying and selling of a security at two different markets, with two different prices resulting in a profit.

arbitration

A method of resolving simple contract disputes by having both parties submit to settlement recommended by an agreed upon neutral mediator who also has the power to execute a settlement, as if administered in a court of law..

Arms index

Also called trading index (TRIN), a market indicator used in technical analysis taken by dividing the ratio of advancing and declining issues by the ratio of up and down volume.

ask price

The lowest price acceptable to a prospective seller for a particular security.

asset

Any possession that has value.

asset allocation

A mutual fund that seeks to optimize the mix of stocks, bonds, and cash at any given time.

asset class

A classification of assets among different categories such as real estate, equities, bonds, cash.

asset-backed security

A security containing an undivided fractional interest in pools of consumer loans, such as credit card debt or car loans, or receivables held in trust.

assignment

A receipt of an exercise notice requiring a sell on a call or purchase on a put for the underlying security at the specified strike price.

at-the-money

An option with a strike price equal to the market price of the underlying security.

auction

The issuance of new Treasury bills, notes, and bonds by the Federal Reserve.

auction market

A market where buyers and sellers enter simultaneous bids and offers, such as the NYSE.

audit

An examination of a company's finances and accounting systems performed by an accountant, who gives an opinion about the financial condition of the company.

auditor

A person who examines a company's financial and accounting documents for accuracy.

Automated Clearing House (ACH)

A system maintained by the Federal Reserve Bank that allows banks to process checks, transfer funds, and other things.

Automatic Investment Plan (AIP)

An investment plan that automatically takes a deduction from a paycheck and invests it into a mutual fund or 401K.

autoregressive

The use of past data to predict future data.

average

An arithmetic mean calculated by dividing the sum of the value of a group of stocks by a predetermined divisor.

average down

An investment strategy to buy more shares as the price of a stock drops, thereby lowering the average cost of each share in the entire holding.

average life

An estimate of maturity for a pool of mortgage-backed securities.

average maturity

An average time to maturity of securities held by a mutual fund.

away from the market

A trade order placed outside the current trading range.

baby bond

A bond with a face value of less than \$1000.

back-end load

Also called a redemption charge, a commission incurred when redeeming shares of a mutual fund.

balance sheet

One of several financial statements of a company providing a listing of assets and liabilities and giving a snapshot of a company's financial health.

balanced fund

Also called a hybrid fund, a mutual fund that invests in both stocks and bonds.

bank

A financial institution, such as a savings bank, savings and loan, credit union or trust company, engaged in the lending of money to individuals and businesses.

bank investment contract (BIC)

An investment instrument issued by banks to large investors such as pension funds with guaranteed principal and interest from one to five years and insured by the FDIC.

banker's acceptance

A short-term credit investment created by a non-financial firm and guaranteed by a bank as to payment.

banker's rule

A method of calculating simple interest which assumes a 360-day year and is more favorable to the lender.

bankruptcy

A state of being unable to pay debts.

barter

A system of exchange of goods and services without currency.

barter market

A marketplace in which all goods and services are bartered.

base interest rate

Also called the benchmark interest rate, the minimum interest rate demanded by investors for non-Treasury security.

basic earnings

Earnings per share calculated as net income divided by the number of common shares.

basis

The original price paid for a property or investment.

basis point

One hundredth of a percent, usually in reference to interest rates and the yield on bonds.

bear

A person who expects the market to decline.

bear market

A stock market in which most stocks are trading 20% or more below their highest prices.

bear raid

A coordinated effort by traders to drive down the price of a stock.

bearer

A person in possession of an instrument, document of title, or security payable to bearer.

bearer security

A security that allows its ownership to change to the person or company having possession.

Beige Book

Periodic anecdotal reports compiled by each Federal Reserve district for the Federal Open Market Committee since May 1970.

benchmark interest rate

Also called the base interest rate, the minimum interest rate demanded by investors for non-Treasury security.

beneficial owner

A person who is not the true owner of property but who receives all or part of the benefits by reason of a trust or other private arrangement.

beneficiary

The person for whose receives the benefits from a trust, or the proceeds of a life insurance policy.

beta

A measure of a stock's risk compared to the overall market. A beta of one represents the overall market or average risk for a stock. Stocks with betas greater than one are riskier than the average stock.

bid price

The highest price a prospective buyer is willing to pay for a particular security.

bid-to-cover ratio

The volume of Treasury securities with dealer bids divided by the volume offered for sale.

Big Blue

A nickname for IBM or International Business Machines in reverence to its stature as a leading corporation.

Big Board

Another name for the New York Stock Exchange.

bill of exchange

A document demanding payment.

Black Friday

A reference to a day during which the markets sell off dramatically, the original one falling on Friday, September 24, 1869 when an attempt to corner the gold market led to an economic depression.

Black Monday

October 19, 1987 - the date of largest one day plunge of the Dow Jones Industrial Average in which the index lost 508.32 points or 22.6% of its value.

Black-Scholes option pricing model

A model developed to value options that incorporates factors such as the volatility of a security, return, level of interest rates, strike price, stock price, and the time remaining until the option's expiration date.

blended fund

A fund that invests in both value and growth stocks.

block

A large number of securities, usually referring to at least 10,000 shares of stock or \$200,000 in bonds.

blow-off top

A technical analysis pattern characterized by a steep and rapid increase in price followed by a steep and rapid drop in price.

blue chip

A large, well-established brand name company with stable earnings.

blue list

A daily trade publication that contains detailed information about current municipal bond offerings of banks and brokers nationwide.

blue sky laws

State laws covering the issue and trading of securities.

board of directors

A body comprised of individuals elected by the shareholders of a company charged with making key company decisions.

boiler room

A place where unscrupulous salespeople sell speculative or worthless stock to unwitting investors.

bond

A long-term debt obligation that is collateralized by specific assets.

bond equivalent yield

The effective yield of semiannual compounding due to the fact that U.S. bonds pay coupons twice a year.

bond fund

A mutual fund which invests in different bond issues. A bond fund may invest in one particular type of bond such as corporate or U.S. Government, or in all different types of bonds. Common objectives of bond funds are stability and income.

bond rating

A rating issued by a third party to assess the possibility of default by the bond issuer.

book entry

An electronic record of ownership of Treasury or other securities.

book value

A company's net worth or equity as stated on the company's financial statements.

bottom fishing

An investment strategy based on finding bargains among low-priced stocks.

bottom line

Net income or earnings per share, literally found at the bottom of a financial summary.

breakout

A rise in the price of a stock above a resistance level, or a drop below a support level, typically construed as a buy or sell signal, respectively.

breakpoint

A purchase of shares in an open-end mutual fund that entitles the buyer to a discounted sales charge.

bridge loan

A short term loan made with the expectation of obtaining Intermediate or long term financing within a short period of time, usually three to six months.

broker

A person or firm that acts as an intermediary between buyers and sellers of securities, never taking market risk.

broker-dealer

An individual or firm that executes orders on behalf of clients, usually registered with the Securities and Exchange Commission.

bubble

The notion that a market or an economy is overvalued, driven by speculation, and is due to 'burst'.

budget

A list of how a person allocates money among different expenses.

bull

A person who expects the market or markets to go up.

bull market

A stock market in which stocks as a whole are rising in value.

business day

A day on which exchanges are open for trading.

buy and hold

An investment strategy to buy and hold shares over several years in order to pay favorable long-term capital gains tax on profits.

buy side

All money management firms and funds whose job is to profit from the trading of securities.

buy-in

A purchase of security by a broker to settle an undelivered sale and to charge any loss to the seller's account.

buyback

A purchase of securities by the issuing company in order to take them out of circulation, usually to increase the value of remaining securities.

buyer's broker

A real estate broker who works for the home buyer as opposed to the seller.

buying power

The maximum dollar amount of marginable securities before a client needs to deposit additional funds.

buyout

An effort to purchase controlling interest in a company, typically through a tender offer of the stock.

calendar

A schedule of securities that will be offered for sale, such as an IPO calendar.

call

An option that gives the owner the right to purchase the security at the exercise price.

call date

The date on which Treasury bonds are eligible to be redeemed before maturity.

call protection

The number of years that an investor has against a bond being redeemed.

call spread

The simultaneous buy and sell of call options contracts on the same security with different expiration dates and/or exercise prices.

callable bond

A bond that allows the issuer to repay the debt early.

capital

The total amount of money raised by a business.

capital asset

Long-term asset, such as land, equipment, and other fixed property.

capital expenditure

An amount spent to acquire or improve long-term assets, such as property or equipment.

capital gain

A profit incurred from the sale of a security with a cost basis that is lower than the selling price.

capital loss

A loss incurred from the sale of a security with a cost basis that is higher than the selling price.

capital structure

The mix of debt and equity maintained by a company.

capitalization

The total dollar value of all common stock, preferred stock, and bonds issued by a corporation.

capitulation

The act of giving up on a stock often characterized by panic selling.

carry

A percentage of the profits earned by venture capitalists.

carve-out

Also called a partial spinoff, an IPO or rights offering orchestrated by a company for a minority stake in a subsidiary.

cash

Coins and currencies that are readily available.

cash account

An investment account that requires all securities purchased be paid for in full, unlike a margin account.

cash and equivalents

The value of assets that can be converted into cash immediately or within 90 days.

cash basis accounting

A method of accounting where transactions are recorded and revenues and expenses recognized when cash is received or cash is paid out.

cash dividend

A dividend paid in cash to a company's shareholders.

cash flow

Earnings before depreciation, amortization, and noncash charges.

cash flow statement

One of several financial statements that measures cash going in and out of a company over a specified period of time.

cash management

Management of day-to-day living expenses.

cash management account

A type of account typically offered by brokerage firms which allows an individual to consolidate different accounts into one.

cash transaction

A transaction that trades and settles on the same day.

cash value

The amount of money that can be withdrawn from a whole life insurance policy while retaining coverage.

cash-and-carry market

Also called a cash market, a marketplace in which goods are purchased with cash and 'carried away'.

cashier's check

A draft in which the drawer and drawee are the same bank or branches of the same bank.

certificate

A physical document evidencing ownership of a stock or a bond.

certificate of deposit (CD)

A savings vehicle offered by a bank with a fixed interest rate based on the term of the CD.

certified check

A check issued by a bank, payable to a designated payee, in exchange for cash.

Certified Financial Planner (CFP)

A designation obtained from the Certified Financial Planner Board of Standards that experienced financial planners can achieve by completing courses on financial planning and passing a comprehensive exam.

Certified Public Accountant (CPA)

A person who has met state requirements for education and work experience, passed a national exam, and met other licensing requirements. Certified Public Accountants in public accounting practice prepare tax returns, perform audits, do accounting, and give advice to their clients on financial matters.

charitable gift

A gift of cash, stock, or personal property made to a charitable organization.

charitable remainder unitrust (CRUT)

A trust which allows an individual or couple to make a charitable gift of cash, stock, or real estate, while receiving income from the trust for their lifetime.

Chartered Financial Analysis (CFA)

A designation obtained from the Association for Investment Management and Research that requiring passage of comprehensive exams in accounting, economics, money management, and security analysis.

chartist

Also called a technical analyst, a proponent of an investment strategy that emphasizes technical patterns, such as trendlines, price resistance, and moving averages.

check

A draft payable on demand and drawn on a bank.

checking account

An account offered by a bank or credit union in which deposits are made and checks are written from. Most checking accounts offer minimal interest and offer cash and/or debit card capabilities.

Chicago Board of Trade (CBT)

A major commodity exchange.

Chicago Board Options Exchange (CBOE)

The largest market for trading options.

churning

An illegal practice by a broker placing numerous unnecessary transactions in a client's account for the benefit of gaining transaction fees.

circuit breaker

A stock market mechanism by which trading is automatically halted (and resumed) when certain events take place causing a panicked sell-off.

class

Options of the same type, calls or puts, on the same underlying security.

clearing corporations

A central distribution center for member brokerage firms that expedite trade comparisons, settlement, and assignment procedures.

cliffing

An investment strategy of arranging bonds so they all mature in the same year.

close

Also called a closing price, the final market price at the end of a trading session at which a security is bought or sold.

closed-end fund

A mutual fund which raises capital through the sale of a fixed number of shares with investors trading the shares in the open market, usually at a discount to its NAV to account for tax liabilities or liquidity concerns.

closed-end mortgage

Mortgage in which no additional money can be advanced.

closely held

A corporation with most of its stock held by a few shareholders.

closing costs

One time costs to make the purchase of a home, including points, title insurance, pro-rated property tax, a credit report fee, mortgage interest for the period between closing and the first mortgage payment, and others.

closing price

Also called a close, the final market price at the end of a trading session at which a security is bought or sold.

closing purchase

A purchase made in order to reduce or eliminate a short options position.

codicil

A legal instrument made subsequent to a will, modifying it, and becoming part of the original will.

cold call

An unsolicited sales call to a person or company in which no relationship currently exists.

collateral

An asset which is pledged by a borrower to secure a loan.

collateral trust bond

A debt instrument issued by one corporation backed by the securities of another corporation.

collateralized mortgage obligations (CMO)

A more complex MBS designed to lessen uncertainty in cash flow by not having a specific maturity date and sold on an 'average life' basis.

commercial paper

Short term, unsecured corporate bonds issued to cover short-term cash needs and backed by the general creditworthiness of the issuer rather than by specific assets, typically having a maturity of less than 270 days.

commission

The fee a broker charges to buy or sell securities or property for a client.

Committee on Uniform Security Identification Procedure (CUSIP)

An interindustry security code that identifies all stocks and registered bonds.

commodity

A raw material, such as wheat, coffee, pork bellies, gold, etc.

common stocks

Certificates representing ownership in a corporation with the least claim to company assets.

compensation package

An employee compensation plan that may include salary, benefits, pension, allowance, equity through stock grants and options, and other perks.

compound interest

A method of calculating interest, which allows interest payments to be added to the principal to accelerate capital growth.

conference call

A telephone-based or online forum offered by a publicly-traded company for the discussion of earnings results, once only available to analysts and now open to the public.

confirmation

A notice detailing the execution of a trade and its settlement terms.

consensus earnings estimates

The average of earnings estimates issued by analysts following a particular stock.

consent to loan agreement

An agreement that margin customers sign authorizing the brokerage firm to lend the customer's securities to itself or other firms.

conservative

An investment strategy focused on capital preservation over capital appreciation.

consideration

The value of a transaction before adding commission.

consolidation

The combination of two or more institutions to form a new one.

consumer confidence

A measure of overall economic health that focuses on consumers' sentiment, savings plans, and spending plans.

Consumer Price Index (CPI)

A measure of the monthly change in price for 80,000 consumer products as tracked by the Bureau of Labor Statistics.

contingent annuity

An annuity having payments with uncertain or varying terms.

contingent deferred sales charge

A pricing structure that imposes a sales charge when exiting a mutual fund.

contrarian investing

A method of investing to take positions contrary to overall market sentiment.

control person

A director, officer, or other affiliate of the issuer or a stockholder who owns at least 10% of any class of outstanding stock.

control securities

Securities owned by a control person.

controller

A person who performs bookkeeping, records business transactions, and prepares financial statements for companies.

convergence

The movement of futures price towards the true price of a commodity as the expiration date approaches.

convert

Also called a convertible, any security that can convert into another issue, usually common stock.

convertible debt

A debt that can convert into another issue, usually common stock.

convertible issue bond

A bond that can convert into another issue, usually common stock.

convertible preferred stock

A preferred stock that can convert into common stock.

convexity

The graphical relationship between price and yield for a standard, noncallable bond in that they always move in opposite directions.

cooling-off period

The period, usually 20 days, between the filing of the registration statement on a new issue with the SEC and the effective date of the offering.

corporate governance

Set of processes that dictate the way that management of publicly-traded companies maintains oversight of company financials and discloses information to the public.

corporate bond fund

This type of mutual fund buys bonds issued by corporations. High-quality corporate funds invest in bonds rated A or higher. Other corporate bond funds invest in bonds with varying credit ratings.

corporate bonds

Bonds issued by a corporation, as opposed to the federal, state or city government.

corporation

A form of business organization which is owned by its stockholders who owns shares that may be transferred or sold privately or in the public markets.

country funds

Mutual funds that concentrate on a single foreign country, outside of the US.

coupon

The detachable part of a certificate exchangeable for dividend payments.

coupon rate

The interest rate stated on a bond.

crash

A market condition characterized by a sizable drop in stock price.

credit

An agreement allowing a company or individual to purchase goods or services now and to pay at a later date.

credit card

A rotating short-term debt instrument, normally payable within 30 days that charges relatively high interest rates.

credit enhancement

A fiscal structure that allows corporations to produce an audit balance sheet in place of a pro form balance sheet.

credit report

A report used by lenders to determine a consumer or a company's creditworthiness.

daisy chaining

The illegal practice by brokers of creating artificial transactions to give the appearance of activity and interest in a particular security.

day order

An order that is automatically canceled if it is not filled that day.

day trade

A buy and sell of a securities position on the same day.

dead cat bounce

A small, temporary recovery in the price of the stock that has been dropping.

dealer

A person or firm that buys or sells securities, normally for a profit.

death benefit

The amount of money paid to a beneficiary when a policyholder dies. The death benefit is the face value of a policy. The beneficiary is not taxed on the benefit when s/he receives it.

debenture

A long-term debt obligation that is backed by the creditworthiness of the issuer rather than by specific assets.

debit

An accounting entry which results in either an increase in assets or a decrease in liabilities or net worth.

debit balance

The amount of loan in a margin account.

debit card

A credit card tied to a checking account so that the amount charged is deducted from the checking account electronically.

debt

Money borrowed with an obligation to pay back, usually with interest.

debt-equity ratio

A value calculated by dividing the long term debt by the common stockholders' equity.

debtor

A person or entity who owes payment.

decile rank

Performance of a mutual fund over time on a scale of 1 to 10, 1 being in the top 10 percentile, 2 being in the top 20 percentile, and so on.

declaration date

Also called an announcement date, the date on which a company's board of directors meet to announce the date and amount of the next dividend.

deduction

An amount subtracted from adjusted gross income for the purposes of paying taxes.

deed of trust

Also called an indenture, a document defining the terms of a corporation's plans to issue bonds or other debt securities.

default

The status of debt with delinquent or nonpayments.

defensive stocks

Stocks that generally move counter to the ups and downs of the overall economy, and hence viewed as safe havens in a weak economic environment.

deferred tax

Amount allocated to cover tax liabilities that have not yet been paid.

defined benefit plan

A retirement plan that provides a predetermined payment schedule without adjusting for inflation.

defined contribution plan

A retirement plan with varying contribution and benefit schedules depending on the return on the investments.

deflation

A decrease in the cost of goods and services.

delayed quotes

Stock quotes that are delayed by at least 20 minutes.

delisting

Removal of security listing from an exchange, often due to failure to meet minimum exchange requirements, but also due to mergers or a switch to another exchange.

delivery date

The expiration date of future contracts.

demand deposit

A checking account that pays no interest and can be drawn when needed.

Department of the Treasury

A federal agency responsible for the issuance and sales of Treasury bonds, as well as the circulation of currency.

dependent

Individuals included in a household who depend on a primary caregiver.

deposit

Cash or any order with a dollar value placed into an account.

deposit slip

A slip that records and facilitates a deposit into an account.

depository

A central location for the safekeeping of securities.

depository trust company (DTC)

A corporation, owned by banks and brokerage firms that holds and delivers securities and settles their transactions.

depreciation

The process of writing down the value of an asset each year to reflect the fact that it becomes less valuable over time.

depreciation expense

A fraction of the original cost of a fixed asset that is recorded as an expense for using the asset in a period.

depression

A severe economic downturn.

derivative

Also called derivative security, a security derived from an underlying, real or financial asset, normally for purposes of hedging or reducing risk.

derivative zero

A zero-coupon bond created by stripping coupon and principal payments from a U.S. Treasury security.

devaluation

Lowering of the value of a country's currency relative to gold or the currencies of other nations.

differential

A small charge added to the sale price of odd lot orders as compensation to the dealer or specialist handling the order.

diluted earnings

Earnings per share calculated as net income divided by the sum of the number of common shares, warrants and stock options if exercised, and all outstanding convertibles if converted.

dilution

The impact of a transaction that reduces a company's earnings per share.

direct public offering

Offering of new securities to the public without the assistance of an investment banking firm.

director

An individual elected by fundholders to oversee the fund's management.

discount bond

Also called a zero coupon bond, a bond that does not pay interest income until it matures.

discount broker

A firm that executes orders and provides little or no research or investment advice, but charges low transaction fees.

discount rate

The interest rate charged to member banks that borrow from the nine Federal Reserve Banks.

disinflation

A slowdown in the rate of inflation without going into deflation.

disposable income

Money available for spending or investing after taxes have been deducted.

distribution

Payments from a fund or DRP.

diversification

The act of allocating money into multiple investments in order to offset the impact of dramatic changes in any single investment.

divestiture

A sale of a company's assets.

dividend

Payment in cash or additional stock that a corporation makes to its shareholders.

dividend reinvestment plan (DRP or DRIP)

A plan offered by corporations to re-invest dividends, often at a discount from market price and without incurring any fees.

dividend reinvestment plan (DRP)

A plan offered by corporations to re-invest dividends, often at a discount from market price and without incurring any fees.

dividend stock

A stock that regularly pays dividends, such as a utility.

dollar cost averaging

An investment strategy to invest a fixed amount of money regularly over time by buying more shares as prices go down and fewer shares as prices go up, thereby optimizing the cost per share.

dot-com bubble

The rise and eventual collapse of Internet-related stocks in 2000 and 2001 due to excessive speculation in that sector.

double witching

Similar to triple witching, but having only two classes of options or futures expiring on the same day.

Dow Industrial Average Model New Depositary Shares (DIAMONDS)

A UIT that tracks the DJIA trading as DIA on the American Stock Exchange.

Dow Jones Industrial Average (DJIA)

Also called the Dow, the leading indicator of the stock market, which is a composite of 30 large industrial stocks.

down payment

Part of the purchase price that is paid to the buyer up front.

downgrade

A negative change in rating for any stock or bond.

downtick

A drop in the price of a security in the latest sale compared to the previous sale.

draft

Also called a check, a document signed by a drawer to a drawee ordering payment on a future date.

drawee

The party that receives payment on a draft.

drawer

The party that draws a draft.

due diligence

All the research involved in learning more about a possible investment.

due diligence meeting

The last meeting between corporate officials and underwriters to finalize the contents of the prospectus for a new security.

dumping

Selling items below cost to eliminate surplus, hurting competitors and gaining market share.

durable goods

Also called hard goods, items are not consumed or quickly disposed of and may be used for years.

duration

A measure of a bond's price sensitivity to changes in interest rates.

duty

A tax on imports and exports.

early withdrawal penalty

A common practice in which an early withdrawal incurs a cash penalty or partial or complete loss of tax deferral privileges.

earnings

The net positive return generated by a business on its operations.

earnings before interest, tax, depreciation, and amortization (EBITDA)

Earning numbers that supposedly presents a clearer picture of cash flow by ignoring noncash charges.

earnings estimates

A determination made by analysts of a company's upcoming earnings based on guidance provided by the company.

earnings per share (EPS)

The earnings (or losses) of a company divided by the number of shares outstanding.

earnings report

A corporate financial statement which reports either a profit or a loss by tallying revenues, expenses and other items.

earnings surprise

The degree from which actual earnings differ from consensus forecast.

earnings yield

The earnings of a company divided by the number of outstanding shares, divided by recent market price.

economic indicators

Key statistics showing the direction of the economy, such as unemployment rate, inflation rate, consumer confidence, and balance of trade.

economy

All the activities involved in the production and distribution of goods and services in a particular region or country.

economy of scale

Operational efficiencies gained from increased production, thereby reducing cost per unit.

EDGAR

Short for Electronic Data Gathering, Analysis, and Retrieval, the SEC's system for the filing of quarterly and annual reports and other disclosures.

edgarize

The process of preparing a document for use with the EDGAR system.

education IRA

An individual retirement account that allows parents to contribute \$500 per year in their child's IRA, which may be distributed for education purposes only when they reach the age of 18.

effective date

The first date on which a new security can be offered after the cooling-off period.

efficient market theory

A theory that accepts the notion of an already efficient market and that efforts to beat the market are futile.

elasticity

The degree to which the price of an item changes to accommodate a change in either supply or demand.

electronic funds transfer (EFT)

The transfer of funds between accounts and firms electronically.

elevator pitch

A succinct one-minute explanation of a business, usually for the purpose of attracting new investors.

emergency cash reserve

The amount of money a person saves in preparation for a financial emergency.

emerging market

A market with short or uncertain history, such as that of a developing country.

emerging markets fund

A mutual fund that focuses on stocks listed in developing countries?? exchanges.

employee stock purchase plan (ESPP)

A program offered by a company to its employees to purchase its stock at a discount to its fair market value.

endorsement

A signature on a security or instrument that matches the registered name in order to make the document negotiable.

Enterprise value

the value of a company determined by adding the total amount of long-term debt to the company's market capitalization while subtracting the value of cash and cash equivalents held by the company. This value reflects the actual purchase price of the company if it were to be acquired without taking into account any premium or discount.

equity

Ownership interest in a corporation, typically in the form of stocks.

equity fund

Also called a stock fund, the value of this mutual fund depends on the value of stocks within a fund's portfolio.

equity option

A security entitling the holder to buy or sell 100 shares of stock at a specific price for a limited time period.

escrow

The holding of important documents and money by a neutral third party until the close of a transaction or the conditions of a contract are met.

estate planning

Planning for the handling, disposition, and administration of an estate when an owner dies or is disabled.

Eurodollar

US money held in European bank accounts.

European-style option

An option that can only be exercised at the expiration date.

ex-dividend date

The first day of trading when the seller, rather than the buyer, of a stock is entitled to the most recently announced dividend payment.

ex-rights date

The date after which stocks are traded without subscription rights.

ex-warrants date

The date after which stocks are traded without granting warrants to the buyers.

excess equity

Equity in a margin account greater than the requirement set under Regulation T.

exchange

The marketplace in which securities, such as stocks and bonds, are bought and sold. Two examples of stock exchanges are the New York Stock Exchange and the American Stock Exchange.

execution

The actual fulfillment of an order to buy or sell securities.

executor

The person or firm appointed by an individual and named in a will to administer the estate.

exemption

A tax deduction taken by an individual, a spouse, and each dependent.

exercise

To act on an option by purchasing the underlying security.

exercise price

Also called the strike price, the price at which an option executes on a future date.

expense ratio The cost of owning a mutual fund, or the operating expenses.

expenses

Costs incurred to create revenue.

expiration date

The last day on which an option can be exercised.

face value

Also called par value, the original price of a stock or bond.

Fannie Maes

Mortgage-backed securities guaranteed by the FNMA for payment of principal and interest.

FDIC insured

An account that is insured by the FDIC, currently up to \$100,000.

Federal Deposit Insurance Corporation (FDIC)

An independent federal agency that insures bank and savings and loan deposit accounts up to \$100,000. The FDIC was created to protect the consumer against bank or savings and loan failure.

federal funds rate

The interest rate on reserves traded among commercial banks for overnight use.

Federal Home Mortgage Association (FHLMC)

A stockholder-owned corporation chartered by Congress to help stabilize the mortgage market and make housing more affordable.

Federal Housing Administration (FHA)

A federal agency that insures mortgage loans.

Federal National Mortgage Association (FNMA)

The federal agency that issues Fannie Maes.

Federal Reserve Bank

One of 12 member banks of the Federal Reserve System responsible for compliance among commercial and savings banks in its region.

Federal Reserve Board

Also known as the Fed, officially renamed Board of Governors of the Federal Reserve System by the Banking Act of 1935, the seven-member governing body of the Federal Reserve System that sets reserve requirements and the discount rate.

Federal Reserve System

A federal agency established in 1913 and expanded by the Banking Act of 1935 authorized to set monetary policies and to ensure banking compliance.

fiduciary

A person or firm holding assets for another party with the authority and duty to make decisions in the best interests of that other party.

finance charge

The total amount of interest charged over the term of the loan expressed in dollar terms.

financial planner

A professional who assist investors by creating a long term financial plan.

firm commitment

A type of underwriting wherein the underwriter purchases the entire issue from the issuer in order to resell the securities in a secondary market.

First Call

A leading aggregator of analysts' earnings estimates.

fiscal period

A corporation's yearly accounting period which covers a 12 month period for which business activities are reported and profit or loss is determined.

fixed annuity

A tax deferred retirement vehicle which offers a fixed rate of return each year with earnings from the annuity that are tax deferred until withdrawn.

fixed asset

Tangible assets which are held long-term such as buildings and equipment, that are used in the operations of a business rather than held for sale.

fixed loan rate

A loan based on a predetermined rate.

fixed-rate mortgage

Typically, a 15- or 30-year mortgage in which the interest rate is fixed during the set term. The monthly principal and interest payment will remain the same during the term of the mortgage.

flexible spending plan

An employee benefit plan that allows a person to pay certain expenses with tax-free money.

flight to quality

A tendency for investors to move capital to safer investments during times of crisis or uncertainty.

flip

To sell a stock on its first day of trading.

float

The total number of outstanding shares available for trading by the public.

floating loan rate

A loan with a rate based on an external index of interest rates in the financial markets.

flotation

The introduction of a company's shares into the market.

fluctuation

A change in price or interest rates over time.

forecast

A prediction about the future, concerning a company's earnings, revenues, stock prices, or other financial data.

foreclosure

The process by which the mortgage holder of a property recovers the property through the courts after the property owner is seriously delinquent and unable to redeem the mortgage and become current.

foreign exchange

An instrument such as currency, notes, and checks, used to make payments between countries.

Forex

An over-the-counter market where buyers and sellers conduct foreign exchange transactions.

forfeiture

A loss of money, property or privileges due to a breach in contract.

forgery

An illegal modification of a legal document, signature or legal tender.

Form 3

A document required by the SEC announcing owners with a 10% or more equity stake in a company.

Form 4

A document required by the SEC announcing owners with a change in their 10% or more equity stake in a company.

forwards

An obligation to buy or sell an asset on a specific date at a set price, similar to futures, but usually a private transaction between two parties and not actively traded.

fraud

A misrepresentation of the truth for the purpose of deceit.

Freddie Macs

Mortgage backed securities guaranteed by the FHLMC for payment of principal and interest.

free stock

A security that can be used for loan in a margin account to represent a debit balance.

free-trading stock

Stock can be bought and sold freely without restrictions imposed by the issuing company or the SEC.

Friedman, Milton

An economist and leading advocate of monetarism.

front-end load

A sales fee charged on the day an investor purchases mutual fund shares, usually between 3 to 8.5 percent of the investment.

frozen account

A brokerage account that requires cash in advance for a period of 90 days in order to trade triggered by a failure to make timely or complete payments.

full-service broker

A brokerage firm that offers extensive investment advice and research to its clients.

fund

A pooling of money to be invested.

fund exchange

An ability to allocate investments from one fund into another within the same mutual fund family.

fund manager

A professional whose job is to make investment decisions for a mutual fund.

fundamentals

Inherent factors of a company, including earnings, cash flow, balance sheet, and overall condition of the company's industry.

funding

The raising of money to launch or expand a business.

fundraising

The solicitation of funds for either a business or a nonprofit organization, such as a charity.

futures

An obligation to buy or sell an asset on a specific date at a set price.

futures price

The set price of a futures contract on the delivery date.

gap up (or down)

A sharp and sudden increase (or decrease) in the price of a security in which there is literally a gap between the latest data point on a price chart and the previous data point.

generally accepted accounting principles (GAAP)

The common set of standards and procedures, promulgated by the Financial Accounting Standards Boards, by which audited financial statements are prepared.

Ginnie Maes

Mortgage backed securities guaranteed by the GNMA for payment of principal and interest.

Glass-Steagall Act

Officially known as the Bank Act of 1933, a Depression-era act aimed at protecting financial institutions (commercial banks) that take customer deposits from the risks associated with securities activities.

global fund

A mutual fund that invests in stocks and/or bonds in any region of the world, including the U.S.

globalization

An economic trend or business initiative to expand across markets on more than one continent.

going public

The process of preparing for an initial public offering.

golden parachute

A stipulation in an executive compensation package which grants the executive upon departure or termination a lump sum payment or an annuity.

good 'til canceled (GTC)

An order to buy or sell a security that stays in effect until executed or cancelled by the investor.

goodwill

Additional asset created when the purchase price exceeds the book value of the asset which is written off as an expense, typically over a 40-year period, and may skew reported earnings.

government bond

A bond issued by the U.S. Treasury.

Government National Mortgage Association (GNMA)

A government agency part of the Department of Housing and Urban Development (HUD) that buys VA and FHA loans from lenders, securitizes them, and sells them to investors.

Greenspan, Alan

Chairman of the Board of Governors of the Federal Reserve System from August 1987 to present, serving his 4th term.

gross domestic product (GDP)

The total value of all goods and services produced in the US.

gross income

Income before expenses.

gross national product (GNP)

The total value of all goods and services produced in the US.

gross spread

The difference between an IPO's offering price and the price paid to the issuers by an underwriter to account for syndication fees and underwriter's discount.

growth fund

A mutual fund that invests in companies with high growth potential with the goal of a higher than average return.

growth stock

A stock having earnings growth at an above-average rate.

guaranteed investment contract (GIC)

Investment instruments issued by insurance companies to large investors such as pension funds with guaranteed principal and interest from one to five years.

guidance

An effort by companies to provide analysts with sufficient information to create revenue and earnings projections.

guru

An analyst that makes recommendations on various stocks and tries to predict how stocks will perform in the future.

head and shoulders

A chart formation characterized by three rallies, the second one reaching the highest point, and viewed by technical analysts as a very bearish indicator.

hedge fund

A private investment partnership limited to 99 high net-worth or institutional investors, taking long and short positions and using leverage.

hedging

A strategy to reduce or eliminate investment risk.

high price

The highest intraday price of a stock over the past 52 weeks, adjusted for any stock splits.

high-growth stocks

Stocks in industries that grow at a significantly faster pace than the overall economy.

high-yield bond

Also referred to as a junk bond, a bond that is rated BB or below by Standard & Poor's, paying a higher interest rate and considered riskier than higher quality bonds.

holding company

A corporation that owns or controls several different corporations.

home equity

Value accumulated in a property through payments on the principal of the property's mortgage.

hostile takeover

An unsolicited acquisition of one company by another, or an attempt to do so.

hypothecation

The pledging of margin securities by a brokerage to secure the funds necessary to carry an account's debit balance.

illiquid

An inability to easily convert into cash.

income

Regular earnings, generally from corporate dividends and interest on bonds.

income statement (profit and loss statement)

One of several company's financial statements which provides a summary of revenues and expenses over a period of time.

income stock

A publicly-traded company with consistent performance and operate in stable industries, usually having a history of consistent dividend payments to stockholders.

indenture

Also, called a deed of trust, the terms of a corporate bond.

index

A measure of a group of stocks, often the sum of the weighted value of each stock in that group.

index fund

A mutual fund that holds all or nearly all stocks in a standard market benchmark.

indexing

The weighting of one's portfolio to match a broad-based index and its performance.

indicated dividend

The projected total amount of dividends to be paid over the next 12 months based on the most recent dividend.

indicated yield

The indicated dividend divided by the price of the stock.

individual retirement account (IRA)

An account which allows an investor to defer taxes while investing into the account. Taxes on the earnings are paid upon withdrawal from the account, usually upon the investor's retirement.

industry

Also called a sector, a category that describes a company's primary business activity and identifies its competitors.

inflation

An increase in the cost of goods and services, which results in a loss of purchasing power for any given constant amount of money.

inflation rate

An annual rate of inflation, based on a basket of goods and services, announced on a monthly basis.

inflation risk

The risk that the purchasing power of an investment, after adjusting for inflation, will be negative.

initial public offering (IPO)

Securities issued by a company and initially offered for sale to the public through a broker.

insider

A person close to a company who may have access to material, nonpublic information.

insider trading

Buying or selling of a company's stock by that company's management, board of directors or persons holding more than 10% of a company's shares.

institutional investor

Organizations such as mutual funds, pension funds, and insurance companies that trade in large volumes of securities.

instrument

An unconditional promise or order to pay a fixed amount of money with or without interest.

insurance premium

An amount paid for insurance by a policyholder.

intangible asset

An asset that does not exist on a physical level but has some value assigned to it.

interactive chart

An online chart that enables an investor to change the view and scope of chart data in real-time or delayed format.

interest

Amount charged for borrowing money or for the use of a commodity.

interest rate

Rate of interest charged for the use of money or commodity. The rate is derived by dividing the amount of interest by the amount of principal borrowed.

interest rate risk

A risk assumed by bond investors that interest rates will rise.

interest rate swap

An arrangement to swap a fixed loan rate for a floating loan rate, or vice versa.

interest-sensitive stock

A stock whose operations and earnings are impacted by changes in interest rates.

Internal Revenue Service (IRS)

A branch of the government that collects nearly all government revenue and enforces compliance with tax laws.

international fund

A type of mutual fund that invests in markets (stocks and bonds) outside of the US.

intestate

An estate without a will.

intraday high and low

The highest and lowest prices of a securities traded during a single day.

inventory

A company's products that are ready for sale.

inventory turnover

The rate at which a company sells or turns over its inventory.

inverted yield curve

A rare occurrence during which short-term rates are higher than long-term rates.

investment

Property acquired and held for future income or appreciation.

investment banker

A professional who engages attorneys, accountants, and market specialists to arrange for public sale of a company's stock.

investment club

A group of amateur investors who pool their assets together to jointly buy and sell securities.

investment grade bond

A bond rated AAA by Standard & Poor's or Aaa by Moody's considered of high quality having little risk.

investment property

Property acquired for the purpose of income accumulation and/or appreciation.

investment trust

A closed-end fund that specializes in a sector or country and traded on the secondary market like corporate stocks.

investor relations (IR)

Efforts undertaken by companies to communicate with its shareholders and analysts, and to raise company awareness in the general investment community.

issue date

The month and day on which a security is initially issued.

issued stock

Stock sold to the public.

January effect

A temporary rally in the stock market during the first month, especially the first few days of the new calendar year, caused by renewed demand stocks that were sold off for year-end losses.

joint account

An account with two or more individuals acting as co-owners.

junk bond

A high-yield bond offering a higher interest rate than the average bond, but with a higher risk of nonpayment.

Keogh Plan

A retirement plan for the self-employed to set aside up to \$30K or 25% of their annual income on a tax-deferred basis.

laddered maturities

A technique used to increase the liquidity and to reduce reinvestment risk of bond portfolios by purchasing multiple bonds and staggering their maturity dates.

large cap

A company with a total market capitalization of over \$5 billion.

last

The latest price available on a security.

lead investor

The principal entity that originates and structures a syndicated deal raising money for a company.

leakage

Issuance of securities to prohibited entities.

legal tender

An accepted form of payment for a debt.

lessee

A person or corporation that rents an asset from another person or corporation.

lessor

A person or corporation that rents an asset to another person or corporation.

letter of credit

A document issued by a bank which guarantees the payment of a customer's draft up to a specific amount and time period.

letter of intent

A nonbinding letter from one company to another acknowledging a willingness and ability to enter into a deal.

Level I Quotes

Quote listings that reveal the best bid and ask prices for Nasdaq stocks.

Level II Quotes

Quote listings that reveal the best bid and ask prices for Nasdaq stocks, as well as the bid and ask prices of other dealers and the number of shares at which they are willing to trade.

level load

An annual sales charge incurred when holding a mutual fund, usually labeled class C shares.

leverage

The management of debt to generate a higher return.

leveraged buyout (LBO)

The process by which a company is purchased with borrowed money, which is repaid out of cash generated from the acquired company's operations or from the sale of its assets.

liability

Any kind of debt, from bank debt to money a business owes to suppliers to refunds it owes customers.

lien

A legal claim against a property to secure payment for monies owed.

life annuity

An annuity with payments made only during an individual's lifetime, such as retirement benefits.

limit order

A market order to buy at a given price or lower, or an order to sell at a given price or higher.

line of credit

An open-ended arrangement for a company to borrow and repay debt at its discretion, subject only to a maximum limit.

liquidation

The act of closing down a business, including the sale of its assets.

liquidity

The ease by which an asset can be converted into cash without losing its value.

listed security

A stock or bond that has been listed on one of the registered securities exchanges in the US.

living trust

A trust created while the donator is living.

living will

An estate planning tool to identify an individual's wishes for health care decisions in times of crisis.

Livingston Survey

Started in 1946, the longest running survey of economists' expectations issued biannually and managed by the Federal Reserve Bank of Philadelphia since 1990.

load

This is a sales charge for owning a mutual fund, usually totaling 3 to 5 percent of the amount invested.

lock-in

A mortgage lender's commitment and written agreement to guarantee a specified interest rate to a homebuyer, given that the loan closes within a period of time. The lock-in also details the number of points to be paid at closing.

lock-up period

A period of time, typically 180 days, directly after an initial public offering where the lead underwriter restricts insiders from selling their shares. Also known as a lock-down period.

London Interbank Offered Rate (LIBOR)

Short-term interest rate used by London banks and quoted in the European money markets for Eurodollar transactions.

long position

The total value of one of an investor's stock holdings.

long-term debt

Debt that requires interest payments and due after one year.

long-term equity anticipation securities (LEAPS)

Stock options which last up to three years.

long-term investing

An investment strategy based on holding stocks for at least eight years to stay invested through economic cycles.

long-term liability

Liabilities that are due after one year.

loss

The net negative return generated by a business on its operations.

low price

The lowest intraday price of a stock over the past 52 weeks, adjusted for any stock splits.

M1

A money aggregate measuring the amount of currency in circulation and deposits into checking accounts.

M2

A money aggregate measuring the M1 plus the amount of deposits in savings accounts, CD's under \$100,000, money-market funds, and overnight repurchase agreements.

M3

A money aggregate measuring the M2 plus CD's over \$100,000, insituational money-market funds, and term repurchase agreements.

macroeconomics

The study of the behavior of the overall economy.

margin

Partial payment for a security involving full ownership rights and risks with the balance financed typically by a brokerage.

margin account

A brokerage account that allows a person to borrow funds to purchase securities.

margin call

Demand for additional funds in a margin account to meet or re-meet minimum maintenance requirements.

market breadth

A measurement of the number of advancers vs. decliners on a particular trading day.

market capitalization

The total value of a company calculated by multiplying the company's share price by the total number of shares outstanding.

market commentary

A summary of market news, which may be either objective or subjective reporting.

market correction

A market condition characterized by at least a 10% drop in stock prices, either within a sector or across the entire market.

market maker

A professional trader whose job is to maintain adequate inventory of one or more securities to facilitate the buying and selling of those securities.

market order

An order to buy or sell a stock immediately at the best available current price, which guarantees execution but not necessarily at a predetermined price.

market price

The latest price at which a security has been bought or sold.

market timing

A decision to buy or sell securities based on economic indicators or technical trends.

market value

The highest price that a buyer would pay and the lowest price a seller would accept on an asset.

material information

Information which is likely to effect the stock price when disclosed to the public.

mediation

A method of resolving simple contract disputes by having both parties submit to settlement recommended by an agreed upon neutral mediator who does not have the power to execute a settlement.

merger

The act of combining two or more companies and the issuance of stock to reflect the newly combined organization. Mergers are generally used with large companies that are approximately the same size.

mezzanine financing

Late-stage venture capital financing, often the final round prior to an IPO.

micro cap

A company with a total market capitalization of less than \$250 million.

microeconomics

The study of the behavior of small economic units, such as consumers and households.

mid cap

A company with a total capitalization of approximately between \$1 and \$5 billion.

momentum trading

A trading strategy based not on company fundamentals, but on price movement and market sentiment.

monetarism

A school of economic thought that considered the money supply as the main determinant of economic activity and dominated U.S. economic policymaking in the early 1980's.

monetarist

A proponent of control of the money supply as the main determinant of economic activity and direction.

monetary policy

a policy managed by the Federal Reserve Board to control the availability and cost of borrowing money.

money laundering

Schemes to route illegally acquired cash through bank accounts and business so that the funds appear legitimate and honestly earned.

money market fund

A mutual fund that invests in very safe short-term government and corporate issues. Shares in money market mutual funds are valued at \$1.00 in order to maintain their cash equivalent status.

money supply

The amount of money in circulation, broken down by monetary aggregates, such as M1, M2, and M3.

Moody's Investors Service

A leading bond rating agency.

mortgage backed securities (MBS)

Securities which are created out of a defined pool of real estate mortgages and issued by the GNMA, the FHLMC or the FNMA with investors receiving periodic payments consisting of both principal and interest.

mortgage bond

A bond secured by a mortgage on property which may be sold to satisfy the debt if the borrower defaults.

mortgage broker

A person or firm who helps home buyers or owners find an appropriate mortgage. A fee or commission is charged for this service.

most actives

A listing of the most actively traded stock by stock exchange during a given time period.

moving average

The average of all the market prices for a security drawn from a progressing block of time.

municipal bonds

Bonds offered by cities or states often used to pay for state funded projects, such as schools, highways, or hospitals.

municipal over bond (MOB)

The difference in price between a municipal bond futures contract and a Treasury bond futures contract listed on the Chicago Board of Trade.

mutual fund

A group of securities managed by an investment company that sells shares to individual investors.

NASD

National Association of Securities Dealers.

NASDAQ

Also called the National Association of Securities Dealers Automated Quotation System, a NASD-owned computerized system which tracks price quotations, and facilitates trades for over-the-counter stocks.

negotiable

The ability to transfer ownership of a security without the need to secure the permission of the issuer.

net asset value (NAV)

The value of a single mutual fund share determined each day by adding up all of the mutual fund's holdings, subtracting the liabilities, and then dividing by the number of total shares.

net income

The company's total earnings based on revenues minus cost of goods, depreciation, interest, taxes and other expenses.

net worth

Total assets minus total liabilities.

Nikkei

The index tracking 225 leading stocks traded on the Tokyo Stock Exchange.

no-load fund

A mutual fund in which no sales fee is charged to purchase shares.

nominal interest rate

Interest rate earned or paid, not adjusted for inflation.

noncash items

Expenses charged against revenues, which do not directly affect cash flow.

notary public

One authorized by law to acknowledge and certify documents and signatures.

note

A written promise to pay certain sum of money at a certain time that can transferred by endorsement.

NYSE

New York Stock Exchange.

NYSE Composite Index

An index which tracks the change in market value of all common stocks traded on the New York Stock Exchange. The NYSE also provides indexes on four sectors: industrials, utilities, transportation, and finance.

objective

The stated goal of a fund, not necessarily a guarantee of performance.

odd lot

Less than 100 shares of stock.

open interest

The number of outstanding option contracts in a market or particular class or series.

open-end fund

A mutual fund that continuously accepts new funds for investments through the sale of additional shares and allow the redemption of shares for the current NAV of the shares.

operating cash flow

Cash generated from a company's normal business activities.

opportunity cost

A valuable alternative which is given up when a particular investment is made.

options

Financial instruments which give the owner the right to buy or sell a security on a future date at a fixed price.

order

A written instruction to pay money signed by the person giving the instruction.

ordinary income rate

A person's regular tax rate.

over-the-counter (OTC)

A decentralized market of small cap companies, usually trading less than \$1 and having limited liquidity or volatile trading.

over-the-counter bulletin board stock

An over-the-counter stock (OTC) that is publicly-traded meeting the requirements for full disclosure on its financials but not for stock price, market cap, or asset base as needed for listing on the NASDAQ.

overvalued

The state of a security being unjustifiably priced too high, usually when viewed through price/earnings ratios.

P/E-to-growth ratio (PEG)

A value calculated by dividing the P/E ratio by the projected annual five-year growth rate.

panic selling

A situation in which many investors sell a security with market orders expecting no minimum sale price.

paper profit or loss

Unrealized capital gain or loss in an investment that has not yet been sold.

par value

Also called face value, the amount which is repaid to the purchaser of a bond at maturity, or the value assigned to a stock when issued by the company.

passive investing

An investment strategy requiring little effort by investing in an index fund simply to stay even with the overall market.

payment date

The date on which an investor receives a dividend payment, or interest on a bond.

payment-in-kind

Additional debt principal paid as a form of interest rather than cash.

payout ratio

The ratio between common share dividends versus corporate earnings.

penny stocks

Stocks that trade for less than \$1 per share.

pension manager

A professional who makes investment decisions for the fund.

pension plan

An employer-funded retirement plan in which the employer contributes money on the employees behalf.

periodic rate

The monthly rate at which a borrower is charged interest for borrowing money.

perpetuity

An annuity having payments that continue forever.

pink sheet stock

An over-the-counter stock (OTC) that is publicly-traded without full disclosure of its financials to the public.

point

Interest paid up front when closing on loan representing a percentage of the total loan amount and paid to reduce the interest rate on a loan.

Ponzi scheme

A type of investment fraud in which early investors are guaranteed a return and paid off with the proceeds from subsequent investments in an ongoing basis.

pooling of interests

An accounting method used in the combining of companies simply by adding them together item by item, resulting in a tax-free transaction.

portfolio

A collection of assets (generally stocks and bonds) owned by a person or company.

portfolio allocation

Spreading investments over different asset classes to reduce overall risk.

portfolio tracker

An online tool that enables investors to track their portfolio in real-time or with closing prices.

positive yield curve

A typical occurrence during which short-term rates are lower than long-term rates.

preferred stocks

Certificates representing ownership in a corporation with possible dividend payout and secondary claim to company assets over common stockholders.

premium

The price of an option contract.

premium bond

A bond selling for more than its par value.

prepayment penalty

A penalty assessed to discourage a borrower from making early payments on a loan.

price-earnings ratio (PE)

Also referred to as a 'multiple,' a value calculated by dividing the price of the stock by the earnings per share and commonly used to compare against companies in the same sector.

price-sales ratio

A value calculated by dividing the price of the stock by the revenue per share and commonly used to compare against companies in the same sector.

price-to-book value ratio

A value calculated by dividing the price of the stock by the assets per share.

primary dealers

Dealers who do business directly with the Fed and the Treasury Department.

primary market

A market for the first buyer of a newly issued security.

prime rate

The base rate used on high-grade corporate loans by major rates, serving as an index for many types of loans.

principal

The total amount of money invested in a stock, bond or other type of investment.

private mortgage insurance (PMI)

Insurance required if the down payment on a home is less than 20 percent.

private placement

A cash-for-equity arrangement offered to a select group of institutions rather to the public.

privatization

A transfer of ownership of a firm from the government to the public.

probate

A legal procedure in which the Will of a deceased person is presented to a court, and an administrator is appointed to carry out the terms of the Will.

probate sale

The sale of home and property that occurs when the owner dies and the property is to be divided among inheritors or sold to pay debts.

Producer Price Index (PPI)

A measure of the monthly change in wholesale prices as tracked by the Bureau of Labor Statistics.

profit

Gain from the sale of an investment, such as stocks, bonds, or real estate.

program trading

Institutional buying and selling of stocks included in an index automatically triggered to take advantage of temporary price variations.

progressive tax

A tax system that charges a higher rate to those who are able to pay more. Federal income tax is an example of a progressive tax.

promissory note

A written unsecured note promising to pay a specified amount of money on demand, transferable to a third party.

property tax

Tax on property owned.

prospectus

Formal written documents that describe a plan for a proposed business, often issued by mutual funds that describe objectives, risks, and other necessary information.

proxy

A document conferring to another party the right to vote a stock.

proxy fight

A battle for control of firm by voting in a new slate of directors.

proxy statement

A notice providing shareholders with the necessary information to vote on matters to be brought up at a shareholders' meeting.

pump and dump

A term coined by traders referring to a stock that trades higher on questionable developments and is subsequently sold off for a quick profit.

purchase acquisition method

An accounting method used in the combining or merging of companies by treating the acquisition as an investment and treating the premium as goodwill.

pure index fund

A fund managed to replicate the performance of an index.

pure play

A company involved in only one line of business.

put

An option that gives the owner the right to sell the security at the exercise price.

put-call ratio

A ratio of the volume of put options traded to the volume of call options traded.

pyramid scheme

A type of investment fraud that requires an endless cycle of recruits who give money to the recruiter.

qualified investment buyer (QIB)

An investor who is permitted to acquire restricted securities.

quarter

A fiscal period lasting three months, commonly used for purposes of reporting earnings.

quarterly refunding

The issuance of new 5 and 10-year notes by the Treasury Department every February, May, August and November.

Qube (QQQ)

A UIT that tracks the Nasdaq 100 Index trading as QQQ on the American Stock Exchange.

quick ratio

Also called an acid test ratio, an indicator of company's financial strength by dividing current assets minus inventories by current liabilities.

quiet period

A period of time, starting with hiring underwriters to 90 days after a company goes public, during which a company cannot make any public comments.

Real Estate Investment Trust (REIT)

A company that manages a portfolio of real estate investments, similar to closed end mutual funds.

real rate of interest

The rate of interest after inflation.

real rate of return

The return or percentage profit after inflation and taxes.

real-time quotes

Stock quotes that reflect the latest market data.

recession

Reduced economic activity, evidenced by a decline in GDP (gross domestic product) for two or more consecutive quarters.

recommendation

A statement issued by analysts about the prospects of a stock, typically in the form of a strong buy, buy, accumulate, hold, or sell recommendation.

record date

A date by which a shareholder must officially own shares in order to be entitled to a dividend.

red herring

A preliminary prospectus distributed to prospective investors in a new issue of securities.

redemption charge

Also called a back end load, a commission incurred when redeeming shares of a mutual fund.

refinance

The act of taking out a new mortgage loan to pay off an existing mortgage, usually to take advantage of lower interest rates or to accelerate the payment schedule.

regional fund

A mutual fund that concentrate on a certain geographic area.

registered bond

A bond with the owner's name that can only be transferred on the books of the issuer.

registered security

A security that assigns its ownership to a specific person or company.

registry notice

A document that tracks and proofs securities.

regressive tax

A tax with the same rate for everyone, thus taking a larger percentage of income from the lower income earner. Sales and gasoline tax are examples of a regressive tax.

Regulation A

An SEC regulation that governs the issuance of new securities.

Regulation T

An SEC regulation that governs the lending of money by brokerages to its customers.

reinvestment

A system in which dividends, interest, and capital gain distributions earned in a mutual fund are used to purchase additional units of the same mutual fund.

relative strength

A stock's price movement compared to the movement of a market index, such as the S&P 500.

reopening

The issuance of a Treasury bond with the same coupon and maturity date as a previous offering.

repurchase

An action taken by a company to buy back its own shares in the open market, thereby reducing the number of shares outstanding and increasing earnings per share.

resistance level

Real or artificial price ceiling in technical analysis that when overcome signify a new upward trading trend.

restricted stock

A stock with trading restrictions, normally at least one year.

restructuring

A change in a company's ownership structure often in order to address a debt problem or a change in its line of business.

retained earnings

Profits that are kept by the company rather than paid out as dividends.

return on asset (ROA)

Net income minus preferred stock dividends divided by average total assets.

return on equity (ROE)

Net income divided by average total common equity, which is higher than the ROA if debt is leveraged effectively.

return on investment (ROI)

The percentage of profit made on an investment.

revenue

The total amount of money generated by a business for products and services sold to customers.

reverse merger

The process by which a company merges itself into a smaller company, normally in order to assume majority control of a publicly-traded entity.

reverse mortgage

A mortgage allowing elderly homeowners to tap into their home's equity without selling their home.

reverse stock split

A decrease in the number of shares and a proportionate increase in the price per share which effectively maintains the market capitalization of a security.

rights offering

The issuing of rights to current shareholders to buy a proportionate number of additional securities at a discounted price within a certain time period.

risk

The likelihood that an investment will lose money.

risk-reward ratio

A measure of an investment's ability to generate high returns versus the possibility of losing money on the investment.

road show

A marketing presentation by an issuer of securities to potential buyers to promote the investment of these securities, usually as part of an initial public offering.

rolling bond portfolio

A portfolio of bonds with varying maturity dates in order to increase liquidity, blend short and long-term rates, and reduce reinvestment risk.

rollover

The process of moving qualified retirement money or tax-deferred money from one account to another, tax free.

Roth IRA

An individual retirement account that permits tax-free distributions after age 59 1/2.

round lot

One hundred shares of stock or multiples of one hundred shares of stock, i.e., 200, 300, or 1000 shares of stock.

Rule of 72

A mathematic shortcut used to approximate the number of years to double one's money simply by dividing 72 by the annual interest rate.

Russell 2000

A stock market index which tracks the performance of the smallest 2000 US company stocks in the Russell 3000.

Russell 3000

A stock market index which tracks the performance of 3000 largest US company stocks in various industries.

S&P effect

A small and often sustainable rally in the price of a stock slated to join the S&P 500 attributed to the fact that index funds need to buy the stock in order to mimic the index's performance. Meanwhile, being dropped from the S&P 500 forces index funds to sell the stock.

S1

A registration statement filed with the SEC prior to an IPO.

safe harbor

A provision in a law which excuses liability if an attempt to comply in good faith can be demonstrated, such as in making earnings projections.

sales charge

A fee incurred upon purchase of shares in a mutual fund.

Sarbanes-Oxley Act

Legislation requiring management of publicly-traded companies to report and to augment internal control over financial reporting.

schedule 13d

The form that must be filed by an individual (or individuals acting in concert) after acquiring beneficial ownership of 5% or more of any nonexempt equity security.

SEC filing

The process by which a publicly-traded company submits the appropriate forms to the SEC to fully disclose the company's financials.

second mortgage (home equity loan)

A second mortgage ranks after a first mortgage in the event of foreclosure. Sales of a home from foreclosure proceedings are used to pay off the loans in the order they were recorded.

secondary market

A market for previously owned securities are traded.

secondary mortgage market

A network of investors willing to purchase mortgage loans originated by mortgage bankers.

secondary offering

Public sale of previously issued securities held by large investors, institutions or affiliated persons.

Section 16(a)

A provision in the Securities Exchange Act requiring beneficial owners of more than 10% of a company's stock.

Section 203(b)

A program designed to provide mortgage insurance for someone to purchase or refinance a principal residence, usually funded by a lending institution, such as a mortgage company, bank, savings and loan association and insured by HUD.

Section 203(k)

A loan, or mortgage, from the Department of Housing and Urban Development (HUD) that provides for rehabilitation of units in one-to-four unit structures.

Section 529

A program designed to help parents finance their children's college expenses.

sector

Also called an industry, a category that describes a company's primary business activity and identifies its competitors.

sector fund

Also called a specialized fund, a fund focused on investing in a specific industry.

Securities Act of 1933

A law enforced by the SEC requiring the registration of securities and the disclosure of pertinent information relating to new issues so that investors may make informed decisions.

Securities and Exchange Commission (SEC)

A federal agency that regulates the securities industry, enforces full disclosure, and engages in the prevention of fraud and other illegal practices.

securitization

The process of distributing risk by repackaging loans and selling certificates, or securities. This entitles the owner to some or all of the repayments on the loans.

security

Generally speaking, any note that represents ownership in or an obligation with a business entity and can be transferred or sold for a profit.

sell side

All analysts who cover companies for brokerages and investment banks in that they 'sell' investment ideas.

selling short

A method of investing by borrowing rather than buying stocks in hopes of purchasing the stock at a later date at a lower price.

settlement

Payment for a trade.

shareholder

An investor who holds common or preferred stock in a company.

shareholders' equity

Total assets minus total liabilities of a company.

shares

Certificates representing ownership in a corporation.

short

An investor who holds a short position on a stock.

short interest theory

The theory that large short interest in anticipation of lower stock prices eventually must be covered causing upward price pressure.

short position

The total value of the shares of a stock an investor has shorted.

short sale

An investment strategy to borrow a stock at its current market price and to 'cover' at a later date at a lower price, thus capturing the difference as a profit.

short squeeze

A situation in which high demand for a stock in short supply forces short sellers to cover their losses, which in turn pushes the stock price even higher.

simple interest

A method of calculating interest using 365 as the exact number of days in a year.

Simplified Employee Pension (SEP) plan

A retirement savings program designed for the self employed and is suitable for small businesses and sole proprietors. An employer contributes tax-deferred dollars to individual retirement accounts for employees.

small cap

A company with a total market capitalization of less than \$1 billion.

soft landing

A calculated strategy to maintain steady economic growth without triggering high inflation.

specialist

Member of a stock exchange whose job is to maintain a fair and orderly market in one or more securities.

specialized fund

Also called a sector fund, a fund focused on investing in a specific industry.

speculator

A person who invests in highly risky securities.

spinoff A new company created through selling or distributing new shares for an existing part of another company.

spot market

Also called an exchange, a marketplace where goods and services are valued, but not necessarily delivered until a future settlement date.

spot price

The current price of an asset with a futures contract.

spread

The difference between the yield rates of two different securities.

Standard and Poors

A leading bond rating agency.

Standard and Poors 500 Index (S&P 500)

A stock market index of 500 mostly large company stocks used to reflect the market as a whole.

Standard and Poors Depositary Receipt (SPDR)

Also called a Spider or Spyder, a UIT that tracks the S&P 500 trading as SPY on the American Stock Exchange.

standard deviation

A measure of how a stock or bond fund's return fluctuates around its average return.

stock

An ownership share of a corporation.

stock exchange

A marketplace of brokers that buy and sell securities on behalf of clients.

stock option

The right to buy a set number of shares of stock at a set price before a specific date.

stock option plan

A plan that allows employees to buy their company stock at a discount and get a tax break when they sell it.

stock screener

A research tool used to filter and identify stocks based on criteria, such as market capitalization, price, volatility, and P/E ratios.

stock split

An increase in the number of shares and a proportionate decrease in the price per share which effectively maintains the market capitalization of a security.

stop buy order

An order to buy a stock if the price rises to a certain level, typically to limit the potential loss of a short sell.

stop loss order

An order to sell a stock if the price falls to a certain level, in order to protect an investor from further losses.

streaming quotes

A software application that displays stock quotes updated in real-time to convey the progression of actual transactions.

strike price

Also called the exercise price, the price at which an option executes on a future date.

subordinated debt

A debt with a lower priority claim on assets and earnings than other debt.

subscription right

The right to buy newly issued shares ahead of the general public in order to maintain current proportion of ownership in a company.

Super Bowl theory

A theory that the stock market does well when an NFC team wins and poorly when an AFC team wins.

support level

Real or artificial price floor in technical analysis that either represents the inflection point for an upward trading trend or if broken a new downward trading trend.

sweat equity

The value of ownership assigned to a borrower or earned by an employee for work performed on an asset, typically without cash compensation.

synergy

Positive gains made from two firms engaging in a partnership or merger.

takeover

A change in who controls a corporation. A takeover generally happens when one company buys another company.

target price

A projection of the stock price made by analysts, but not a guaranteed outcome.

tax bracket

Schedule of income tax with various percentage rates depending on amount.

tax deductible

Payments that are deducted against federal and state taxable income.

tax deferred

The ability to pay taxes at a later date.

tax selling

Year-end selling of securities to realize losses in a portfolio which can be used to offset capital gains, thereby lowering overall tax liability.

teenie

A difference of 1/16 or 6.25 cents on the spread between the bid and the ask, when security prices are quoted in fractions.

tenants-in-common (TIC)

Two or more parties owning an equal amount of securities.

tender offer

An offer to buy shares of a company at a premium for the purpose of taking control of the company.

testamentary trust

A trust created by a will.

tick

A movement in price, either upward or downward.

tick indicator

A market indicator based on the number of stocks whose last trade was an uptick or a downtick.

ticker symbol

A letter combination issued to each class of stock in a publicly-traded company by the stock exchanges.

title

A document that shows the evidence of a right to, or ownership in, a property.

title insurance

A closing cost to cover legal fees and expenses necessary to defend the title against claims made against ownership of a property.

tombstone

An announcement giving basic information about an offering of securities to investors, but not as a solicitation.

top line

Total revenues, literally found at the top of a financial summary.

total return

A percentage profit on investment.

tracking stock

A stock issued to track the performance of a portion of a company's assets or business.

trade

A transaction in which one party buys a security from another party.

trading halt

A temporary halt to stock trading, typically due to pending news from the company, or in some cases, due to a stock exchange's concern about unusual trading activity.

trading range

The difference between the high and low prices traded during a period of time.

transfer agent

An agent whose job is to maintain shareholder records, including purchases, sales, and account balances on behalf of a corporation.

transfer tax

A tax charged by some state and local governments for the transfer of real estate.

treasurer

A company officer responsible for planning and implementing the company's financing and investing activities.

Treasury bills (T-bills)

Short term government bonds with maturities of one year or less.

Treasury bonds

Long term government bonds with maturities of 10 years or more.

Treasury Inflation Protected Securities (TIPS)

Treasury bonds with the added advantages of having its par value adjusted every six months for inflation based on the CPI and having coupon payments calculated using the bond's revised value.

Treasury notes

Medium government bonds with maturities of two to 10 years.

triple witching

Often associated with volatility, the final trading hour of the 3rd Friday of March, June, September, and December as contracts for stock index futures, stock index options and stock options all expire at the same time.

trust

A legal agreement created to control the distribution of assets for the benefit of one or more parties, including the surviving spouse, children, or charities.

trustee

The person responsible for investing trust assets properly as well as administering the trust according to fiduciary laws.

Truth in Lending Act

Title 1 of the Consumer Credit Protection Act of 1968 calling for the fair and accurate disclosure of the terms of consumer loans to borrowers, namely the finance charge and the annual percentage rate.

underlying security

The security that can be bought or sold upon exercising an options contract.

undervalued

The state of a security being unjustifiably priced too low, usually when viewed through price/earnings ratios.

underwriter

The parties responsible for raising investment capital from investors on behalf of corporations and municipalities that are issuing securities.

underwriting

The process by which investment bankers raise investment capital from investors on behalf of corporations and municipalities that are issuing securities.

underwriting group

A group of underwriters that coordinate their efforts to issue new securities.

unit investment trust (UIT)

A collection of securities, similar to a mutual fund, traded on an exchange, such as SPDR.

uptick

An increase in the price of a security in the latest sale compared to the previous sale.

use of proceeds

An explanation about the way that fund raised in a private placement or IPO will be used to start or expand the business.

usury

Charging more than the maximum legally permitted rate of interest.

valuation

A determination of the value of an asset.

value fund

A type of fund that invests in companies that are undervalued, or are priced low in relation to their earnings potential.

Value Line

An index of approximately 1700 NYSE, AMEX, and NASDAQ stocks tracked by the Value Line Investment Survey.

Value Line Investment Survey

A popular publication offering condensed, single-page reports used by investors to research widely-held stocks and mutual funds.

value stock

A stock that is perceived as trading at a low price compared to industry peers.

variable annuity

A tax deferred retirement plan where investors can choose how they want their money invested.

venture capital (VC)

A type of funding source that invests into start-up businesses.

venture fund

A fund set up for the expressed purpose of investing into start-up businesses.

venture-backed

A way of getting start-up businesses funded with capital from private sources.

vest

To earn the rights of ownership of company stock, usually as a part of a compensation package.

vesting schedule

A schedule indicating the length of time employees are required to remain with their employer before they earn the right to their stock options or retirement account balances.

Veterans Administration (VA) loan

A fixed-rate mortgage for veterans of the U.S. military service, typically with little or no down payment.

viatical market

An exchange to buy and sell viatical settlements.

viatical settlement

A payoff in advance to terminally-ill life insurance policyholders at a fraction of the policy's face value.

volatility

A measure of the fluctuations of a stock price over time.

Volcker, Paul A.

Chairman of the Board of Governors of the Federal Reserve System from 1979 to 1987.

volume

The number of shares traded during a specific period, usually in thousands.

volume restriction

A limit on the number of shares that can be bought or sold, usually determined to be a percentage of total volume traded.

voucher

A document acknowledging a liability or providing authorization to pay a debt.

W-2

A form issued by employers that tallies earnings and amount withheld in taxes.

W-4

A form which calculates the number of allowances claimed on a tax return.

W-9

A form which certifies an individual's tax identification number.

Wall Street

Name for the financial district in lower Manhattan, New York City, and the street where the NYSE, AMEX and many banks and brokerages are located.

Wall Street Journal

A reputable daily business newspaper.

wallflower

A stock that has fallen out of favor with investors.

warehousing

Borrowing of funds by a mortgage banker using a mortgage note as collateral until the note is sold to a permanent investor in the secondary mortgage market.

warrant

The option to buy stock at a very low price, usually as an incentive or reward for performance.

wash sale rules

A rule for the purchase and sale of a security with a loss restricting an investor from deducting the loss on a security if repurchased within 30 days.

watch list

A list of securities being monitored particularly closely by a brokerage or investor.

when issued

A transaction on an authorized, but not yet issued security.

whisper number

An unofficial earnings estimate circulated by insiders, extrapolated from multiple sources or based on rumor.

white knight

A 'friendly' company that acquires another one to avoid a hostile takeover.

will

A witnessed legal document with instructions on the distribution of a person's inheritance.

Wilshire 5000

The largest market index. Includes almost all publicly traded stocks.

window dressing

A common practice by mutual funds to take or get out of equity positions at the end of the quarter in order to improve perceptions.

withdrawal

Cash or any order with a dollar value taken from an account.

withdrawal slip

A slip that records and facilitates a withdrawal into an account.

working capital

Current assets minus current liabilities.

workout

An attempt to resolve fiscal problems or bad debt.

wraparound mortgage

A way of financing where the existing loan of the seller remains intact. The buyer makes payments to a wraparound noteholder that in turn pays the existing mortgage.

write-off

A charge of an asset amount as an expense or loss in order to reduce the value of that asset and one's earnings.

writer

The seller of an option contract.

year-to-date (YTD)

A period of time starting from January 1 to a specified date.

yellow sheets

A daily bulletin from the National Quotation Bureau which provides updated bid and ask prices for over-the-counter corporate bonds.

yield

The rate of return based on the dividend return of a security or the rate offered by a bond.

yield advantage

The yield on a corporation's convertible securities minus the dividend yield on its common stock.

yield curve

A graphic representation of a curve that shows interest rates at a specific point for all securities having equal risk but different maturity dates.

yield to maturity

The rate of return anticipated on a bond held until the maturity date.

zero coupon bond

Also called a discount bond, a bond that does not pay interest income until it matures.

zero coupon convertible

Also called a split coupon bond, a zero-coupon bond that can be converted into common stock.

zero minus tick

A transaction matching the price of the latest downtick.

zero plus tick

A transaction matching the price of the latest uptick.

10-K

A detailed annual report filed by publicly-traded companies within 90 days of its fiscal year end in accordance with SEC rules for full disclosure.

10-Q

A quarterly report filed by publicly-traded companies within 45 days of its quarter end in accordance with SEC rules for full disclosure.

12B-1 fees

A predetermined percent of a mutual fund's assets used to defray marketing expenses.

401(a)

A retirement plan allowing employees to make after-tax contributions.

401(k)

A retirement plan allowing employees to make pre-tax contributions.

403(b)

A retirement plan allowing employees of nonprofit and educational institutions to make pre-tax contributions.

457

A retirement plan allowing employees of state and local governments to make pre-tax contributions.

52 week high and low

The highest and lowest intraday prices at which a security traded in the past 52 weeks.

8-K

A notice filed by publicly-traded companies notifying investors of significant events, such as mergers, acquisition, names changes, bankruptcy, splits, etc...