Trading Terminology Cheat Sheet

A

- **Ask Price**: The lowest price a seller is willing to accept for an asset.
- **Asset**: Any financial instrument that can be traded, such as stocks, bonds, currencies, or commodities.

B

- **Bear (Bearish)**: A market condition or sentiment characterized by falling prices; "bearish" indicates an expectation that prices will decline.
- **Bid Price**: The highest price a buyer is willing to pay for an asset.
- **Bond**: A fixed-income investment representing a loan made by an investor to a borrower, typically corporate or governmental.
- **Breakout**: When the price moves above resistance or below support, often signaling a potential new trend.
- **Bull (Bullish)**: A market condition or sentiment characterized by rising prices; "bullish" indicates an expectation that prices will increase.

C

- **Candlestick**: A type of price chart displaying the open, high, low, and close prices for a given time period.
- **Chart Pattern**: Recognizable formations on a chart that traders use to predict future price movements, such as head and shoulders, triangles, and flags.
- **Commission**: The fee charged by a broker to execute a trade on behalf of a trader.
- **Correction**: A temporary decline in price, typically seen as a healthy pullback during an uptrend.
- **Correlation**: A statistical measure that indicates how two assets move in relation to each other. (‘move oppositely’ or ‘move together’).
- **Crypto**: Refers to cryptocurrencies, digital or virtual currencies that use cryptography for security and operate independently of a central bank.

D

- **Day Trading**: The buying and selling of assets within the same trading day, often closing all positions before the market closes.
- **Diversification**: Spreading investments across different assets to reduce overall risk.
- **Drawdown**: The decline from a peak to a low in a trading account, typically expressed as a percentage.

E

- **Earnings:** A company's net profit after deducting all expenses, taxes, and costs from its revenue, typically reported quarterly or annually.
- **Edge**: A trader's advantage in the market, gained through unique strategies, insights, and discipline, which makes certain outcomes more likely and boosts the probability of consistent profits.
- **Entry Point**: The price at which a trader enters a position, either buying or selling.

- **Exit Point**: The price at which a trader closes a position, locking in profits or minimizing losses.

F

- **Fill**: The execution of an order, either partially or fully.
- **Forex**: Market for trading currencies, where participants can buy, sell, exchange, and speculate on the values of different currencies.
- **Fundamental Analysis**: Analyzing financial statements, economic data, and industry trends to determine the intrinsic value of an asset.
- **Futures**: Standardized contracts to buy or sell a specific asset at a predetermined price at a future date.

H

- **High-Frequency Trading (HFT)**: A trading strategy that uses algorithms to execute trades at extremely high speeds.

L

- **Leverage**: Borrowing capital to increase the potential return on investment, amplifying both gains and losses.
- **Limit Order**: An order to buy or sell an asset at a specific price or better, providing control over entry and exit points.
- **Liquidity**: The ease with which an asset can be bought or sold without significantly impacting its price.
- **Long**: A position that profits if the asset price goes up; buying an asset with the expectation that its value will increase.

M

- **Margin**: The funds required to open and maintain a leveraged position.
- **Margin Call**: A broker's demand for a trader to deposit additional funds or securities into their margin account to meet the minimum required margin due to losses reducing account equity.
- **Market Order**: An order to buy or sell an asset immediately at the current market price.
- **Moving Average**: A technical indicator that smooths price data over a specific period to identify trends.

O

- **Option**: Contracts that grants the buyer the right to purchase an underlying asset at a specified price within a set period. (Call = long; Put = short)

P

- **Pattern Day Trader (PDT) Rule:** A U.S. regulation that requires traders to maintain a minimum account balance of $25,000 if they wish to day trade stocks or options more than three times within a rolling five-business-day period. This rule applies to margin accounts only and aims to ensure traders have adequate

capital to manage the risks associated with frequent trading. Note that this rule does not apply to swing trading, forex, or cryptocurrency trading.
- **Position**: A trade or investment in an asset, either long or short.
- **Profit Target**: The level at which a trader plans to take profit and close a position.
- **Pullback**: A temporary reversal in the direction of an asset's price, usually during a prevailing trend.

R

- **Relative Strength Index (RSI)**: A momentum indicator that measures the speed and change of price movements to identify overbought or oversold conditions.
- **Resistance**: A price level where an asset's upward movement may be halted by selling pressure.

S

- **Short**: A position that profits if the asset price falls; selling an asset with the expectation of buying it back at a lower price.
- **Slippage**: The difference between the expected price of a trade and the actual price due to market movement.
- **Stock**: A share of ownership in a company.
- **Stop-Loss Order**: An order to sell an asset once it reaches a specific price, limiting the potential loss on a trade.
- **Support**: A price level where an asset's downward movement may be halted by buying interest.

T

- **Technical Analysis**: The study of past market data, primarily price and volume, to forecast future price movements.
- **Time Frame**: The period a trader uses for analysis, such as 1-minute, daily, or weekly charts.
- **Trend**: The overall direction in which the market or asset is moving, either up, down, or sideways.

V

- **Volatility**: The degree of variation in an asset's price over time, indicating the level of risk and potential reward.
- **Volume**: The total number of shares or contracts traded in a specific period, indicating market interest and activity.
- **VWAP**: A trading benchmark that calculates the average price of a security based on both volume and price over a specific time period, often used to assess intraday trends.

W

- **Watchlist**: A list of assets that a trader monitors for potential trading opportunities.
- **Whipsaw**: A market condition in which prices move sharply in one direction and then immediately reverse, often causing losses for traders caught in the swing.