

Term

American Depositary Receipt (ADR)

A stock representing a specified number of shares in a foreign corporation. ADRs are bought and sold in the American markets just like regular stocks.

American-Style Options

An option contract that may be exercised at any time between the date of purchase and the expiration date.

Arbitrage

The simultaneous purchase and sale of identical or equivalent financial instruments or futures in order to benefit from a discrepancy in their price relationship.

Ask

Also called an "offer". Willingness to sell a contract at a given price.

At-the-money

When the price of the underlying security is equal to the strike price, an option is at-the-money.

Bear

One who expects the prices to decrease.

Bear Market

A market in which prices are declining/falling.

Bid

The price that the market participants are willing to pay.

Blue Chip Stocks

Stock in a well-established, financially-sound, and stable company that has demonstrated its ability to pay dividends in both good and bad times.

Book Building

The process of optimum price discovery in which the company decides the price of the security by asking various investors about how much and at what price would they invest in the company's equity.

Bull

One who expects prices to rise.

Bull Market

A market in which prices are rising.

Buy On Close

To buy at the end of a trading session at a price within the closing range.

Buy On Opening

To buy at the beginning of a trading session at a price within the opening range.

Call

A call option gives the buyer the right but not the obligation, to buy the underlying security at a specific price for a specified time. The seller/writer of a call option has the obligation to sell the underlying security should the buyer chose to exercise his option to buy..

Cash Settlement

Payment for transaction on the due date

Close Position

Getting out of a position in a particular stock or security.

Cost of carry

Cost of financing an asset

Day Order

Any order to buy or sell a security that automatically expires if not executed on the day the it is placed.

Day Trading

Traders who take positions and liquidate them prior to the close of the same trading day.

Derivatives

A derivative instrument is an instrument which derives its value from the value of one or more underlying which can be commodities, precious metals, currency, bonds, stock, stock indices etc.

Exercise Or Strike Price

The price at which the holder of the option may buy or sell the underlying asset upon the exercise of an option.

Expiration Date

The last day on which an option may be exercised. Also, the last day of trading for a futures contract.

Futures

A Futures Contract is an agreement between a buyer and a seller to buy or sell on a future date a specified amount of the financial instrument or physical commodity at an agreed price.

GAAP

Generally Accepted Accounting Principles

Green Shoe Option

The green shoe option allows a company to retain the amount of oversubscription in case of a fresh public issue.

GTC

A GTC order remains in the system until it is cancelled by the user.

GTD

A GTD order allows the user to specify the number of days / date till which the order should stay in the system if not executed.

Hedging

Taking positions in securities so that eachone offsets the other

Holder of an Option

One who purchases an option.

Initial Margin

The funds required when a position (or a short position) is opened.

Insider

Any person who has or has access to valuable nonpublic information about a corporation.

Insider Trading

Trading on information which is not really available to the general public

Initial Public Offering (IPO)

The first sale of stock by a private company to the public.

Intrinsic Value

The amount by which an option is in the money

IPR

Intellectual property rights

Kerb Deals

The sale/purchase of securities before and after the official trading hours of the stock exchange.

Limit Order

An order placed with a broker to buy or sell shares at a specified price or better than the specified price.

Liquidity

The ability of a security/stock to get converted into cash without loss of time/value.

Margin Call

A demand for additional funds because of adverse price movement.

Market Capitalization

Market capitalization is the market value of the equity of a company/index.

Market Maker

A person who provides both buy and sell quotes for a security.

Market Order

An order for immediate execution to buy or sell as stock at the market price.

Mark-To-Market

The daily adjustment of margin accounts to reflect profits and losses.

NASDAQ

National Association of Securities Dealers Automatic Quotation System

NSCCL

National Securities Clearing Corporation Ltd.

NSE

National Stock Exchange Of India Ltd.

Odd Lot

A lot of share that is less than the marketable lot is called an odd lot.

Offer

Also called "ask". Indicates the willingness to sell at a given price.

Offset

Any transaction that offsets or closes out a long or short futures position.

Offset

Selling if one has bought, or buying if one has sold, a share/derivatives contract.

Open Interest

The cumulative number of either long or short contracts which have been initiated on an exchange, and have not been offset.

Open Interest

The cumulative number of either long or short contracts which have been initiated on an exchange, and have not been offset.

Open Order

An order to buy or sell a security that remains in effect until it is either canceled by the customer or executed.

Option

A contract giving the holder the right, but not the obligation, hence, "option," to buy or sell a futures contract in a given commodity at a specified price at any time between now and the expiration of the option contract.

Over the Counter (OTC)

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

Pay-in

When securities and funds are given by brokers to the Clearing House.

Pay-out

The day when the Clearing House gives securities and funds to the brokers.

Position

An interest in the market, either long or short, in the form of open contracts.

Price Discovery

Process by which buyers and sellers interact and set the price

Put

A put option gives the buyer the right, but not the obligation, to sell an underlying security at a specific price for a specified time. The seller of a put option has the obligation to buy the underlying security should the buyer choose to exercise his option to sell.

Rally

An upward movement of prices following a decline; the opposite of a reaction.

Range

The high and low prices or high and low bids and offers, recorded during a specified time.

RBI

Reserve Bank of India

Reaction

A decline in prices following an advance. The opposite of rally.

Rights Issue

Issue of additional equity to existing shareholders of a company

Scalping

Scalping normally involves establishing and liquidating a position quickly, usually within the same day, hour or even just a few minutes.

SEBI

Securities and Exchange Board of India

Settlement Price

Price that is used to calculate gains and losses in futures and options market accounts.

Share

A share is the smallest unit representing the ownership in a company.

Short Selling

The selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller.

Spread

Taking positions in two or more futures/options of the same type.

Stag

A person, who invests in the primary market, i.e. buys shares only in IPOs and sells on allotment.

Stock Exchange

An organised market for trading in listed securities.

Stock Split

The division of a company's existing stock into more shares. In a 2-for-1 split, each stockholder would receive an additional share for each share formerly held.

Stop Loss Order

An order placed with a broker to buy or sell when a certain price is reached.

Tick

Smallest increment of price movement possible

Trend

The general direction of the market.

Volume

The number of shares or contracts traded in a security or an entire market during a given period.

Writer

The seller of an option contract.