BTCX Terms eBook

BTCX • Digital Asset Guides

TERMS EBOOK

Consider this e-book as your ultimate guide through the unknown parts of the stock market. From basic terms to the advanced lingo, these are the most important things to know when trading. This e-book will teach you all the basics for making your first steps to becoming a successful trader.

What is Forex?

Forex, which is short for foreign exchange, is a decentralized global market for trading currencies. From the American Dollar to a Swiss Franc, the forex market is the largest and the most liquid market in the world. With the average daily trading volume of over $5 trillion, if all the stock markets in the world would unite, they still could not compare.

What most people don't know is, Forex is an essential part of our lives. Each time you've traveled somewhere and made an exchange to the currency you need you made a forex transaction.

You could say that trading in Forex is similar as trading on the stock market. You base your choice of currency and whether to buy or sell it on the prediction of how its value will change in the future. However, one important thing that makes Forex stand out is - with a market this huge, you will find a buyer (or a seller) much easier and faster.

Stock Trading Terms

When trading on the market, you should know its customs. Learning the specific jargon used will make it a lot easier for you to become a successful trader. And there is so much to learn that can benefit you! The strategies, the tools, the patterns - all of this will show you how to take the stock trading industry by a storm, and without a hassle.

In the following passages, we will review the most important terms you need to know to make your trading experience go smoothly.

Annual Report

An annual report is a report which the company releases each year. It contains the information about its performance, from cash flow to the management strategies. It is used to impress the shareholders.

They read this report which helps them decide on the next move regarding their shares, depending on the solvency and the financial situation of the company.

Arbitrage

This is a term which describes buying and selling a security in different markets. In addition, their price points are not the same on each of those markets. What does that mean for a trader?

Well, they can, for example, buy the security for a certain price on one market and then sell it on the other for the higher price, pocketing the difference.

Averaging Down

Averaging down is a situation where an investor buys more stocks as their price goes down. This means that your average purchase price decreases as well.

It is a quite tricky move since you expect that the stock price will rebound later. This might not always be the case.

Bear Market

A bear market is the term used when the prices of securities on the market fall at least 20% or more, typically during the 2-month period or longer.

There are many factors that contribute to the bear market condition, most often the slow economy. This, however, takes a toll and contributes to low employment, low disposable income, and weak productivity.

Blue-Chip Stock

A blue-chip stock is a stock released by a large and strong company in the industry. It has a stable record of quite large dividend payments. It typically has a market capitalization of several million.

Bourse

This is a term that changed its meaning over time. It was typically used to refer to the stock market in general. The bourse was a name for a house in which wealthy men trade shares.

Today, however, it refers to the Paris Stock Exchange or any other stock exchange outside the US.

Bull Market

The opposite of a bear market, a bull market is a condition where the stock prices go up. Bull markets can last for months or even years and are related to the optimism and confidence of the investors.

Broker

A broker is your go-to guy (or a girl!) for all things regarding the market. They buy or sell your investment on the market for a fee, which is called a commission.

Bid

A bid is the amount of money a trader is willing to pay per share for a certain stock. It is balanced with the ask price, which is the amount of money the seller wants for the same stock.

Close

This is the term that refers to a closing time of the stock exchange for the day. For NYSE and Nasdaq that's 4 PM, though the after-hours trading continues until 8 PM.

Dividend

A dividend is a portion of the company's earnings that is paid out to shareholders. Keep in mind that not all types of stocks will bring you dividends - penny stocks are one of them.

Execution

In order words, execution means finalizing your transaction. When you want to buy or sell shares or other securities, after that order has been completed, you have executed the transaction.

Haircut

This is quite a catchy term. It refers to an especially thin spread between the bid and ask price of a stock.

Also, it is used in a situation where a stock price is decreased for some reason, such as for margin traders, for example.

Initial Public Offering (IPO)

An IPO is a first sale or an offering of a company's stocks on the market. After it is executed, the company no longer stays private.

Instead, it is open to the general public that can take part in the ownership through shares.

Leverage

Leverage is a term that refers to quite a risky move on the market. But with the bigger risk comes a bigger reward, right?

In this area, leverage is a situation where you borrow shares from your broker to raise your profit. You sell them at a higher price, and if it works, you return the shares and keep the difference.

Margin

When you borrow money from your broker to purchase an investment, the difference between what you borrowed and how much you paid is called the margin.

Trading on the margin requires a lot of experience, but even then, success is not guaranteed every time.

Quote

A quote is information about the stock's latest trading price. Bear in mind that it can be delayed by 20 minutes unless you are using the broker trading platform directly.

Rally

A rally is a rapid increase in the price level for the whole market or the price of a stock. Depending on the state of the market, it can be the bear rally or the bull rally.

Short Selling

This is a term that describes a situation where you borrow shares from someone else, with the attempt to sell them and earn a profit. In this case, you are expecting the price of a stock to decrease.

After you sell short, you can buy back the shares at a lower price and keep the difference.

Spread

A spread is a difference between the bid and the ask price of a stock. In other words, it is a difference between the amount someone is willing to give to buy it and the amount for which a seller is willing to give it up.

Volatility

Volatility is an indicator of the price movement of a stock, or rather an entire stock market. When a stock is highly volatile, it means its price is drastically going up and down.

Volume

Volume is an indicator of how many shares of the stock were traded during a particular period of time. Most often it is used to determine the daily average volume.

However, the volume can also show how many shares of a stock you've purchased.

Yield

Yield is a return you get on investment through the dividend paid out to you based on the shares you own. Depending on the nature and valuation of a security, a yield can be known or anticipated.

First Steps in Trading

When you're first trying out on the market, it can seem quite intimidating and complicated to get a hang of it. This is just initial distress since there are so many trading tips and tools you can use today to become successful on the market. These are the most important steps to take on your path to an exciting experience in trading.

Learn Your Currencies

The Eight Majors, as you have might have heard, are the eight biggest currencies to trade on Forex. Those are:

- US dollar - USD (or the “greenback”)
- British pound - GBP (or the “cable”)
- Japanese yen - JPY
- European euro - EUR
- Swiss franc - CHF
- Canadian dollar - CAD (or a “loonie”)
- Australian dollar - AUD
- New Zealand dollar - NZD.

Also, there are 18 different currency pairs in which they can be traded on the market. You can easily find out the latest news on each currency on the trading platform, as well as daily market reviews that will keep you updated.

Know Your Interest & Return

When trading currencies, it is essential to learn the interest rate attached to each one.

That rate is set by the central bank of the country the currency originates from, and you are obligated to pay it when you sell. Similarly, when you buy, you have the right of earning the interest.

Seek Lower Spreads

A spread is a difference between the price the currency can be purchased for and the price for which the seller is ready to give it up.

In addition, when trading on Forex it is quite important to find a good broker, so take your time until you find the right one.

Right Tools Will Save Your Time

On today’s trading platforms, you can find many helpful tools to navigate the market easier.

From real-time charts and news data to technical analysis tools, you can educate yourself and make your trading experience much more enjoyable.

Don’t Forget About the Analysis

On the market, it is not enough to rely solely on your own predictions. That’s where the analysis comes in, to cover all the things you might have missed.

You can choose to follow and base your trading on the technical or the fundamental analysis, whichever suits you better. They use different tools and studies but are equally helpful at the end of the day, depending on the field that interests you.

Choose a Strategy

The first step to take when deciding on your Forex strategy is to define your own strengths and weaknesses. This way, you will learn about yourself more, but also be prepared for any obstacles ahead.

Then, think about your goals. Are they long-term or short-term? Which analysis suits you better - technical or fundamental? This way, you will decide on your entry and exit points much more easily.

Practice, Practice, Practice

No matter how prepared you think you are when you're stepping on the market, there is always something that can catch you off guard. Simply, trading is unpredictable, which is the basis of its appeal.

Over time, you will learn how not to stumble on many curveballs the market can throw at you and become more successful with each passing day trading!