

Here are some basic terminology for options trading:

**Option:** A financial instrument that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a predetermined price (strike price) on or before a specified date (expiration date).

**Call Option:** An option contract that gives the holder the right to buy the underlying asset at the strike price on or before the expiration date.

**Put Option:** An option contract that gives the holder the right to sell the underlying asset at the strike price on or before the expiration date.

**Strike Price:** The predetermined price at which the underlying asset can be bought or sold if the option is exercised.

**Expiration Date:** The date on which the option contract expires and becomes invalid.

**In-the-Money (ITM):** A call option is in-the-money when the underlying asset's price is above the strike price. A put option is in-the-money when the underlying asset's price is below the strike price.

**At-the-Money (ATM):** An option is at-the-money when the underlying asset's price is equal to the strike price.

**Out-of-the-Money (OTM):** A call option is out-of-the-money when the underlying asset's price is below the strike price. A put option is out-of-the-money when the underlying asset's price is above the strike price.

**Premium:** The price paid by the buyer to the seller for the option contract.

**Time Decay:** The process by which the extrinsic value (time value) of an option decreases as the option approaches its expiration date.

**Implied Volatility:** A measure of the market's expectation of the future volatility of the underlying asset, which is used to calculate the price of the option.

**Open Interest:** The total number of outstanding option contracts for a particular strike price and expiration date.

**Bid:** The highest price a buyer is willing to pay for an option.

**Ask:** The lowest price a seller is willing to accept for an option.

**Spread:** The difference between the bid and ask price of an option.

## Abbreviations

BTO = Buy to open  
STC = Sell to close  
EOD = End of Day  
TA = Technical Analysis  
DD = Due Diligence  
S/R = Support & Resistance  
BE = Breakeven  
TP = Take Profit  
SL = Stop Loss  
PT = Profit Target  
AH = Afterhours  
PM = Premarket  
IV = Implied Volatility  
OTM = Out of the money  
ITM = In the money  
ATH = All time High  
HOD = High of Day  
LOD = Low of Day (edited)

### After Hours (AH) -

The buying and selling of stock after the U.S. stock exchanges have closed for the day.

### Annual Report -

Formal financial statements that are published and sent out to stockholders annually. The reports look into the operations of the company over the past year and provide a view for the upcoming year.

### Ask -

The lowest price a seller is willing to accept for a security.

### Average Down -

A strategy in which a shareholder will buy more of a stock when the price has decreased. The end result is that the average price of stock purchased overall will have decreased.

### Back Testing -

Applying a strategy to historical data to see how accurately the strategy would have predicted the results that occurred.

### Bag Holding -

Holding worthless shares in the hopes of a rebound or recovery.

Bearish -

A feeling that something will go down in value (e.g. a stock value or feeling against the market as a whole).

Bear Market -

A period when market prices are falling, encouraging selling.

Beta -

A measure of a stock's volatility in relation to the overall market (e.g. if a stock moves less than the market, the stock's beta is less than 1.0).

Block Trade -

A high-volume transaction for a security that was privately negotiated outside of the open market.

Blue Chip -

A stock with a reputation of stability, quality, and profitability during good and bad market conditions.

Bullish -

A feeling that something will go up in value (e.g. a stock value or feeling about the market as a whole).

Bullish Market -

A period when market prices are rising, encouraging buying.

Bid -

The highest price a buyer is willing to accept for a security.

Broker / Brokerage -A person or establishment that buys or sells good for others. (edited)

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Buy To Open (BTO) -

Opening a brand new position with a company.

Candle / Candlestick -

A box and whisker icon in which the top/bottom of the whisker represents the stock's highest and lowest point of the day and the top/bottom of the box represents the stock's open and close price.

Catalyst -

An event that set a price to move a specific way.

Channeling -

When a stock continues to trade between a range.

Chart Pattern -

A specific pattern on a chart in which a stock is moving that analysts use to predict a stock's next price movement.

Cloud / Ichimoku Cloud -

A technical indicator that helps find areas of support and resistance.

Close -

The price of the stock at the end of a trading session.

Day Trade -

The practice of buying and selling a security within the same day.

Dead Cat Bounce (DCB) –

A temporary recovery in a stock's price after a substantial fall.

Dividend –

A payment made out by a company from their profits to their shareholders. (edited)

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Dow Jones Industrial Average (DOW / DJI) –

A stock market index that measures the stock performance of 30 large companies listed on stock exchanges in the U.S.

Due Diligence (DD) –

The investigation one does or is expected to do before entering into an agreement with a company. In trading, this is common practice before the purchase of stock.

Earnings Per Share (EPS) –

The portion of a company's profit that is allocated to each outstanding share of its common stock.

Electronic Communication Network (ECN) –

A computerized forum or a network that facilitates trades outside of the traditional stock exchanges.

Exchange –

A meeting place to buy and sell securities. That most popular exchanges in the U.S. are the New York Stock Exchange (NYSE) and NASDAQ.

Exponential Moving Average (EMA) –

A type of moving average that places greater weight and significance on the most recent data points. An indicator commonly used in technical analysis.

Fear of Missing Out (FOMO) –

An emotion commonly felt when someone wants to buy into a security before it makes a big move in price.

Fill or Kill (FOK) –

An order to buy or sell a stock immediately in its entirety otherwise it will be cancelled.

Float –

The number of shares available for trading for a specific stock.

Former Runner –

A stock with a history of volatility. These stocks are more likely to experience volatility in the future.

Front Loading –

Slowly buying up shares of a specific stock and then “pumping” the stock to sell your shares at a higher price. This is illegal and something to be cautious of happening to you.

Fundamental Analysis –

A method of measuring a security’s intrinsic value by examining related economic and financial factors.

Good ‘Til Cancelled (GTC) –

Placing an open order that stays open until it’s manually cancelled.

Halt –

When trading has been paused by the market.

Hedge –

An investment to reduce the risk of adverse price movements in an asset.

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High –

A greater price for a stock not previously accomplished.

Implied Volatility (IV) –

The market’s forecast of a movement in a security’s price.

Initial Public Offering (IPO) –

The process for which a private company can go public by sale of stocks to the general public.

Knife Catch –

Buying a stock during a drastic fall in the stock’s price.

Limit –

A type of order to buy or sell a security at a specific price or better price.

Liquidity –

The ability to sell or buy sell a security without affecting its price.

Loading –

Buying more shares of a stock you already own.

Low –

A lower price for a stock not previously accomplished.

Low Float –

A low number of shares available for trading, generally making a stock more volatile.

Margin –

The money borrowed from a broker to purchase a security.

Market Capitalization (Market Cap) –

The market value of a publicly traded company's outstanding shares.

Market Maker (MM) –

A person or institution that offers quotes and provides liquidity to an exchange.

Market Order –

An order that is set to buy or sell a security at its market value.

Moving Average –

An indicator commonly used in technical analysis that calculates the average price of a stock over a specific period of time.

Pattern Day Trader Rule (PDT) –

A financial regulation for a trader that executes four or more day trades in five business days in a margin account.

Portfolio –

A grouping of financial assets.

Position –

The amount of a particular security currently being held.

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Press Release (PR) –

An official statement given to newspapers providing information on a particular matter.

Price Target (PT) –

The price a share is expected to reach before taking action.

Price-to-Earnings Ratio (P/E) –

The ratio of a company's share price to the company's earnings per share (EPS).

Rally –

A drastic increase in price over a short period of time.

Reverse Split (R/S) –

A reduction in the number of a company's shares.

Runner –

A drastic increase in price over a short period of time.

Scale / Scale Out –

To slowly sell your positions over time.

Scanner –

A tool that scans for specific stocks under defined criteria set by the user.

Sector –

An area of the economy where businesses share services or products (e.g. technology sector).

Sell to Close (STC) -

Selling your entire position with a specific company.

Short (Short Sell) –

To sell a security that you don't own with the anticipation that it will decrease in value, giving you the opportunity to buy back that security at a cheaper price.

Short Float –

The ratio of tradable shares being shorted to total shares in the market.

Simple Moving Average (SMA) –

The average price of a stock over a specified range of dates.

Spread –

The difference between the bid and ask price of a security.

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Squeeze –

When short sellers look to buy back their shares due to increased buying pressure.

Stock Market Index –

A subsection of the stock market being measured in order to compare market performance to previous performance.

Stock Symbol (Ticker) –

An abbreviation used to uniquely identify publicly traded shares of a stock.

Stop Loss (SL / Stop Order) –

An advance order to sell a security when it reaches a price point, usually used to limit losses.

Swing –

Holding a trade for a few days up to a few weeks in order to capitalize on higher gains in a stock

Technical Analysis –

The analysis of forecasting price directions by using past performance, current price levels and volume.

Volume –

The amount of shares being traded at a specific time.

Volume Weighted Average Price (VWAP) –

An indicator used in technical analysis. This can be calculated by taking the price of a stock multiplied by the number of shares traded and then divided by the total shares traded for the day.

Watch List (WL) –

A list of securities being monitored for potential investing opportunities.