Understanding Stock Market Terminology

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Looking to the resources crunch faced by Government in the present times, Capital market has become an important source of raising finances b.th for public and private sectors. The Capital market supplies the long term resources needed by the corporate sector through the issue of different types of instruments catering to the choice and preferences of different classes of investors. The two most important components of the capitel market are primary capital market and secondary capital market. Primary capital market is concerned with raising finances through those securities which are offered for the first time in the market and is popularly termed as New Issue Market (NIM). Secondary capital market provides a platform where the securities could be traded and is commonly called the stock market.

The stock exchange is an arena where people jumps and play in the securities of the corporate sector. It is the market which is highly sensitive and is affected not only by its own actions and opinions but by the actions and opinions of institutional investors all over the country and indeed the world. The action and opinions are the result of the hope, fear, guesswork (intelligent or otherwise), good or bad investment policy and many other considerations The quotations that result may not necessarily represent the valuation of a company by reference to its assets and its earning potential but also the economic environment prevailing in the universe.

Time and again, a vary rosy picture is often depicted by various publications specialising in securities market analysis, making a layman to believe that it is very easy to make money in the stock market. However, it is a misconception due to the fact that securities market in any country is governed by multiplicity of forces which requires specialised skills by the investors to analyse the behaviour of stock market. On the other, the terminology used in stock exchanges is so complex and exhaustive that it is very difficult to understand it even by those who have been dealing in the stock market for long, what to talk of a novice. The present paper deals with later part of the problem viz; the glossary used in the stock exchange trading system The terminology presented in the paper is neither exhaustive nor arranged in the trading sequence which an inverstor undergoes However, an attempt has been made to present it alphabetically

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Account Day : The day on which all bargains done for the account are settled

Allotment Letter : When a company allot shares, it may first send a letter indicating allotment and this has to be sent for exchange with the actual certificate. The allotment letter can also be traded.

Application Form : When shares are offered, an investor has to fill an application form which contains information regarding applicants' name, age, address etc.

Arbitrage : The business of buying or selling a share in one centre with the intention of reversing such a transaction in another centre in order to profit from the price difference, if any between the two centres. The arbitrage requires a well laid out communication network and tie-up with the members of different stock exchange.

Averaging : The process of buying or selling the share at different prices and averaging the overall price.

Backwardation or Ulta Badla : When the seller of shares is unable to give delivery thereof to the buyers, he may be declared a defaulter. To avoid this situation, the seller may ask the buyer to accomodate him, for which he agree to pay a consideration. Such consideration paid by the sellers to the buyers for giving them time till the next settlement to effect delivery of shares is called backwardation or *ulta badla*.

Badla Charges : When an investor enters into forward trading, he has to square up the transaction every fortnight, alternatively if he wants to carry forward the transaction, he has to pay an interest called badla charges.

Balance Sheet : The audited statement of accounts which reflect the financial position of a company on a particular date.

Bargain Hunting : A strategy where investors, finding a share relatively undervalued at a given point of time, are willing to buy it at that price as a matter of good bargain.

Bear Operator : Someone who believes that the market will decline. It also means one, who has sold shares which he does not possess in the hope of buying them back at a lower price. A BEAR MARKET is that phase of market when prices keep going down.

Blue Chips . The shares of the best managed companies.

Bonus Shares : Shares alloted to the existing shareholders free of cost by capitalising reserves.

Book Closure : In order to facilitate payment of dividends or even make bonus or right issues, companies stop transfer of its shares so that beneficiary members can be determined The company may also stop transfer of its shares for a period to ascertain eligible member for meetings. The period for which a company decides not to entertain share transfer is referred to as book closure, that notice of which is made sufficently in advance.

Broker : A person who buys and sells shares on behalf of his client.

Brokerage : The commission charged by a broker from his client for buying or selling shares.

Bull Operator : Some one who belives that she market will rise. One who has bought the shares in anticipation that the price will rise in the future and will sell the shares when price will rise and make a quick profit. A BULL MARKET indicates that phase of market when prices keep on going up.

Call Option : An option to buy a specified number of shares at a specified price before a specified future expiration date.

Capital : The sum total value of equity shares and preference shares issued by a company.

Capitalisation of Reserves : It is an exercise in accounting whereby a certain percentage of accumulated profits is converted into share capital at the option of the company, of course, subject to certain guidelines issued by the Government.

Cash List . Cash list is list of those scrips in which carry forward of transactions is not permitted from one accounting period of the stock exchange to the next. Delivery is, therefore, to be made by the end of the accounting period along with settlement of transactions, which normally for these shares is a maximum of seven days.

Cats and Dogs : Shares of poorly managed companies.

Cleared Securities : Those shares in which transactions can be carried forward every fortnight.

Clearing House : A place where all brokers meet to complete their settlement.

Congestion : A narrow trading zone marked by narrow price movement.

Contango : The rate of interest paid by speculator for money borrowed which he has to pay for the stock he has bought. The money is borrowed from one account day to the next account day.

Cornering : This is the situation wherein almost all or the floating stock of a particular share is acquired by an individual or a group of individuals leaving little or no supply left of that share in the market.

Contract Note : A document issued by a broker after he executes the clients' orders.

Convertible Debenture : Debenture in which a portion will be converted into equity shares after a stipulated period.

Correction : A reversal of a major trend.

Cum-dividend/ Right/Bonus : Cum prefix is used to denote inclusiveness of say, dividend, bonus or right within the price of the share.

Cycle : A long term trend in any business activity.

Debenture : Security issued by a company against a mortgage on its assets. Interest on debentures has to be paid by companies irrespective of the profits or lossrs.

Defensive Shares : These shares give a good current yield and should not be of speculative interest. These shares are of interest to those people who do not purpose to invest in high risk equity, but still desire to invest in equity shares, so that at least in the long run some growth, though not speculation, is possible to partially off-set the impact of inflation.

Delivery : When the sale or purchase of shares is followed by actual exchange of certificates complete with transfer deed, it amounts to delivery. By the process of delivery, the purchaser of shares get his share certificates for the consideration paid by him to seller of the shares.

Discount : The amount by which a share is quoted below its par value.

Dividend : The return on a share, dividend is always on face value.

Dividend Warrant: The cheque for dividend payment.

Disinvestment : To dispose off the shares which have enjoyed capital appreciation in short spells. Without having long established track records of sustained rates of high capital appreciation.

Dow Jone Index : The most popular index used in American Stock Exchange (see also share index).

Dow Theory : A theory profounded by Charles Dow, an American writer to explain share market behaviour.

Earning per Share: The yield of each equity share. It is calculated by dividing the total income (after tax and preference dividend, if any) with the total number of equity shares.

Easier Market : The market is called easier when the current price level is slightly lower than the previous level.

Equity Share : Referred to as share and represents a share in the company's capital.

Ex-Dividend/ Bonus/Right : Ex prefix is used to denote exclusiveness of say, dividend, bonus or right within the price of the share.

Face Value : The minimum denomination of the smallest unit of the share.

Floating Stocks : Refers to total number of shares readily available for delivery without disturbing market equilibrium.

Floor Broker : Executes orders for any member and receives, as his compensation a share of the brokerage charged by the broker to his client. There are not many floor brokers, they are not officially attached to other member.

Forfeiture : When the full amount on the face value of share is not paid, the shares get forfeited.

Forward Trading : Transactions of shares without actual delivery of shares. The forward trading is permitted only in cleared securities.

Fractional Coupon : When a company issues rights or bonus shares and the shareholder's holdings results in a fractional shares, a fractional coupon is given. These have to be consolidated by a shareholder.

Gilt Edged Securities : These are Government and semi-Government bonds and securities.

Gravelled Market : That state of market when the prices have reached the bottom.

Growth Shares : The share of a company whose additions to productive capacity, output, income and earnings outstrip the the growth of the economy, the industrial sector and other companies in the same industry.

Hammered : To declare defaulter.

Hand Delivery : Delivery of securities is to be made within the time or on the date stipulated when entering into the bergain, which should not be more than 14 days following the date of the contract.

Holding Period Yield . It is the addition to subtraction from) the current yield of capital gains (or loss) on the sale of a bond.

Interim Dividend : The dividend declare in the middle of the accounting year.

Jobber : He is not allowed to deal with the public He buys or sells shares on his own account to other jobbers or indirectly to the public through brokers. He quotes two prices, one a selling price and other a buying price. The difference is called jobber's margin.

Kerb Trading : Trading in shares before or after the official trading time of the stock exchange is termed as kerb trading. Trading is, therefore, not on the floor of the stock exchange but outside the main building. The rates of such transactions are known as 'kerb' rates.

Limit Order : The price limit at which a client wants to execute his orders.

Liquidation by Longs : It is a type of bull liquidation when a bull operator waits too long for the prices to go up and when, after a long wait, he starts selling, the transaction is known as liquidation by longs.

Listing of Shares : Stock Exchanges do not deal in shares of all companies. Only those companies whose securities may be allowed to be bought and sold can be dealt with or traded on the stock exchanges. Listing of shares means the inclusion of shares in the official list of a stock exchange for the purpose of trading.

Loanable Shares : The shares of those listed companies which can be pledged as security to raise loans from banks or other financial institutions. Banks may give loans upto fixed per centage of the market value of shares subject to an overall cliling.

Maiden Dividend : The first dividend declared by a company.

Margins : Margin is a tool in the hands of stock exchange authorities to keep a check on erratic and abnormal bear or bull hammerings Margins, therefore, can be also termed as deposits which the members have to make for each purchase or sale of shares in the market

Moorat Trading : The trading on Diwali day when the new year is supposed to commence. It has a special meaning for the business community.

Net Dividend : Dividend after the deduction of tax payable from the gross dividend.

Nurse the Share : To hold shares and securities until a favourable price is offered.

Odd Lots : Share holdings which do not conform to the trading members are called odd-lots. Also, the number of shares which are not in marketable lots are called odd-lot of shares,

Opening Quotation : Price of a particular share when the market opens.

Option Trading : It is right to conduct a transaction for a certain security at a given price upto a specified date, at which the option expires.

Outsiders : Outsider are non-professionals or member of the public.

Over Bought : This is a situation which develops in the stock market when the purchases have increased the price to such a degree that a fall is considered inevitable.

Over the Counter Market : In an over the counter market, prices of securities are negotiated between buyers and sellers, directly or indirectly, through a broker. This is different from what happens in the stock market trading which involves a series of offers and counter offers made in public by different brokers.

Paper Profit : The profit on a share which is unrealised.

Parri - Passu : Equivalent in all respects to something already existing.

Partly Paid : Shares on which only a part of money is paid up.

Pay - in - day : The day on which payment is to be completed-

Permitted Shares : Shares which are not listed on a particular stock exchange may yet be dealt in that exchange subject to approval of exchange authorities. Such shares comprise the permitted list of a stock exchange.

Portfolio : The complete list of an investor's shareholdings.

Preference Shares : A class of shares which carries preferential dividend, repayment of capital, in case of winding up right over that of equity share.

Premium : The amount by which a share is quoted above its face value.

Price Earning Ratio : The market price of the share divided by the earnings per share.

Profit Taking : Realising or collecting profits by completing a transaction.

Proxy : A person who can be authorised by a shareholder to attend meetings of the company.

Rally : A brisk rise following a steep decline.

Rate : When a speculator carries a deal beyond the day of account, he has to pay a consideration which is know as the 'rate'.

Record Date : Instead of closing its register of members for a period, companies may decide on a particular date for the purpose of paying dividends, declaring bonus or rights entitlements or even for finding eligibility of members for receiving notice. therefore, when a record date is announced, for any purpose, the beneficiary of the same would be members whose names are on the register of members on that particular date.

Redeemable Debentures : The amount received on per debenture will be paid back after a stipulated period.

Redemption Price : A price at which a bond is redeemed.

Registered Address : The company's official address where share department is located.

Rig (the Prices) : To keep prices artificially at a high level.

Right Shares : Additional shares offered to existing shareholders.

Ring : Trading area of stock exchange.

Scrips : A share certificate.

Sentiment of the Market : The tone or tendancy of the market.

Settlement Day : The day on which business in cleared securities is squared up.

Short Covering : Buying of stocks by a seller to complete his previous commitments.

Short Selling : Selling of shares which one does not have is called short selling. This modus operandi is normally resorted to, by the bear operators in stock markets.

Special Delivery	:	Delivery and payment should be made within any time exceeding 14 dates following the date of contract as may be stipulated when entering into the bargain and permitted by the governing board or the president of the stock exchange.
Specified List	:	Shares listed within the specified list of an exchange are those, for which delivery/payment, can be carried forward for specified accounting periods, for a consideration termed *'badla'*.
Speculative Attention	:	When speculative buyers concentrate transactions in certain shares, they are said to have speculative attention
Speculative Shares	:	Speculative shares are those shares, the prices of which move continuously and violently.
Spot Delivery	:	Delivery and payment should be made on the same day as the date of the contract or the next day
Stags	:	One who applies for a new issue in the hope of being able to sell what is allotted to him at a premium at once
Stop Order	:	An order to buy a share at a price above or sell at a price below the current market. It is generally used to limit losses or to protect unrealised profits in a short sale.
Switch	:	A switch is basically an exchange of one security for another of different maturity. A switch transaction does not alter the size of the portfolio but affects its maturity compositson.
Taravaniwala	:	A jobber or a specialist who specialises in shares located at the same trading post He trades in and out of the market for a small difference in price. He is, thus, an important factor in creating market for shares.
Technical Rally	:	A reaction from a previous trend The technical rally is a reaction upward after a downwing.
Technical Reaction	:	It occurs when prices move in one direction for a time and then, with little or no excuse, in the reverse direction.
Tej Market or Teji	:	When all shares show an upward trend in price movements, the market is said to be in good sentiments or 'teji'.

To Dip Low : When the shares are overpriced than its intrinsic price, it is advisable for investor to wait till the price of these shares dip low. In othre words, it is fall in prices.

Top Heavy (Toppy) : Whe the prices are too high and when a setback is expected, the market or the prices are called "toppy".

Turnover : The total number of transactions in a fixed period.

Undertone : The tendency of the market or the undercurrent indicating the future tendency of prices.

Unquoted : Unquoted shares and securities are those which do not appear on the official list of the stock exchange.

Underwriter : The person / institution / firm, which before the public issue of shares, enters into an agreement with the company that in the event of the public not subscribing to the share capital in full, then that person/ institution/firm would take allotment of such shares which remain unsubscribed/unallotted.

Wall Street : A street where New York stock exchange is situated.