

GLOSSARY

Your Guide to
Market Terminology

Presented by



A

A-B-C	Elliott wave terminology for a three-wave price pattern against the prevailing trend.
Accumulation	Consistent buying at a certain price level. The first of three distinct phases in a major trend in which investors are buying.
Analysts Opinion	The consensus opinion of major industry analysts who cover a company.
Ask (Offer)	The price sellers are willing to sell at.
At-the-money	The current price. Used with Option whose strike price is nearest the current price of the underlying instrument.
Average Directional Movement Index (ADX)	Developed by J. Welles Wilder measuring market trend intensity.
Average True Range	A moving average of the true range. See True Range.

B

Back Testing	Strategy tested on historical data to check for profitability.
Base Currency	The first currency quoted in a currency pair in FX trading.
Basis Points	Measure of yields on bonds and notes (ie. one basis point equals 0.01% of yield).
Bearish	A term used to describe market weakness.
Bid	The price at which a buyer is willing to buy at.
Bid Ask Spread	The distance between the Bid price and the Ask price.
Blow-off Top	Steep and rapid increase in price followed by a steep and rapid drop in price.
Bracket Order	An order designed to help limit your loss and help lock in a profit by "bracketing" an order with two opposite
Breakaway Gap	When an instrument makes a significant move and leaves a price area where no trading occurs.

Breakout/Breach Point when the market price moves through a horizontal line of resistance or out of a diagonal trend channel.

Bullish A term used to for market strength.

C

Call Option Contract that gives the buyer of the option the right but no the obligation to take delivery of the underlying security at a specific price within a certain time.

CFD see Contracts for Difference.

Channel In charting, a price channel contains prices throughout a trend that are defined using trend lines usually drawn between highs and lows.

Closed Trade A liquidated position.

Conditional Order An order that will automatically be submitted or cancelled only if specified criteria for one or more defined contracts are met.

Confirmation A minimum of two data or price points corroborating a trend, a turning point or other action.

Confluence An intersection or meeting point of several variables.

Congestion A period of trading where prices trade in a sideways pattern or when no trend is apparent.

Consolidation Also known as a congestion. A pause in the market, usually sideways, that allows market participants to re

Continuation Chart A chart in which the price scale for the data for the end of a given contract and the data for the beginning of the next contract are merged in order to ease the transition of one contract to the next.

Contracts for Difference (CFD) A synthetic product designed to replicate exchange traded products. Usually provided as an over

Correction A price reaction against the prevailing trend. Sometimes used to describe a bear market.

Corrective Wave Wave or cycle of waves moving against the current impulse trend's direction.

Countermove Price bar showing movement opposite to the direction of the prior period (ie. a retracement).

Cup with Handle	A pattern usually portending some type of accumulation of the instrument; the cup is in the shape of a "U" and the handle is usually a downward drift with low trading volume from the right side.
Currency Pair	Two currencies quoted together.

D

Daily Range	Difference between high and low price in one trading day.
Darvas Box	See Rectangle
Dead-Cat Bounce	Market rebound that sees prices recover and come back up.
Derivatives	Financial contracts the value of which depend on the value of the underlying instrument - commodity, bond, equity, currency or a combination.
Divergence	When two or more averages or indices fail to show confirming trends. Refer Resource Library for further strategy discussion.
Double Bottom (Top)	Price action of a security or market average where it has declined (advanced) two times to the same approximate level, indicating the existence of a support (resistance) level and a possibility that the downward (upward) trend has ended.

E

Early Entry	Large price movement in one direction within the first 15 minutes after the open of the daily session.
Elliott Wave Theory	Pattern recognition technique published by Ralph Nelson Elliott in 1939, holding that the stock market follows a rhythm or pattern of five waves up and three waves down to form a complete cycle of eight waves. Three waves down are referred to as a "correction" of the preceding five up.
Envelope	Lines surrounding an index or indicator; trading bands.
EW Trend	This is the current trend as defined by Elliott Wave Theory
Exit	The point at which a trader closes out of a trade.

Expectancy The expected mathematical outcome of a series of trades.

Exponential Moving Average Similar to a simple moving average but gives greater weight to the latest data and responds to changes faster than a simple moving average.

F

Fade Selling a rising price or buying a falling price. A trader fading an up opening would be short, for example.

Failure In Elliott theory, a five-wave pattern of movement in which the fifth impulse wave fails to move above the end of the third, or in which the fifth wave does not contain the five subwaves.

Fed Short for Federal Reserve being the US central bank.

Fibonacci Sequence Sequence of numbers (0,1,2,3,5,8,13,21,34,55,89,144,233) discovered by Italian mathematician Leonardo de Pisa in the 13th century and the mathematical basis of the Elliott wave theory. This occurs where the first two terms of the sequence are 0 and 1 and each successive number in the sequence is the sum of the previous two numbers. Technically a sequence and not a series.

Fill Executed order; sometimes the term refers to the price at which an order is executed.

Filter Device or program that separates data, signal or information in accordance with specified criteria.

Flag Sideways market price action or pattern with a slight price drift counter to the direction of the main trend (ie. a consolidation phase).

Fractal A never ending pattern.

Fundamentals Theory that holds that stock market activity may be predicted by looking at the relative data and statistics of a stock as well as the management of the company and its earnings.

G

Gap Day in which the daily range is completely above or below the previous day's daily range.

Good Till Cancelled (GTC) A resting order that remains in force until it is either executed in the market or canceled by the client.

Guaranteed Stop Loss (GSL) A stop loss that is guaranteed to be executed at the wanted price regardless of market conditions. Usually offered by CFD providers.

H

Head and Shoulder Bottom (Reversal) A 3-trough pattern with the middle trough below the others. Must reverse a sustained downtrend.

Head and Shoulders Top A 3-peak pattern with the middle peak above the others. Looks like a head perched atop two shoulders. Must reverse a sustained uptrend.

Hedge Holding two contrary positions in several instrument in order to offset the loss of one with a profit in the other.

Impulse Sharply defined change in a series of input data being studied, such as market prices or volume. In Elliott Wave speak this is deemed as a trend or motive move, usually found in waves - 1, 3 and 5

Inside Day A day where the complete range is within the prior days range.

I

Limit Order Order to buy or sell when a price is fixed.

Long Establishing ownership of the responsibilities of a buyer of a tradable (ie. holding securities in anticipation of a price increase in that security).

M

MACD See Moving Average Convergence/Divergence.

Margin In stock trading, an account in which the purchase of stock may be financed with borrowed money; in futures or CFD trading, the deposit placed with the clearinghouse to assure fulfillment of the contract. This amount varies daily and is settled in cash.

Marked to Market (MTM)	At the end of each business day, open positions carried in an account held at a brokerage are credited or debited funds based on the settlement of the open positions that day.
Market on Close (MOC)	Order specification that requires the broker to get the best price available on the close of trading, usually during the last five minutes of trading.
Market Order	Instructions to the broker to immediately sell to the best available bid or to buy from the best available offer.
Market Sentiment	Crowd psychology, typically a measurement of bullish or bearish attitudes among investors and traders.
Market Timing	Using analytical tools to devise entry and exit methods.
Mental Stop-Loss	Stop-loss order kept in your head instead of a formal instruction with your broker.
Momentum	Time series representing change of today's price from some fixed number of days back in history.
Momentum Filter	Measure of change, derivative or slope of the underlying trend in a time series. Implemented by first applying a low
Moving Average	Mathematical procedure to smooth or eliminate data fluctuations and to assist in determining when to buy and sell. Moving averages emphasise the direction of a trend, confirm trend reversals and smooth price and volume fluctuations that can confuse interpretation of the market; sum of a value plus a selected number of previous values divided by the total number of values.
Moving Average Crossovers	Point where the various moving average lines intersect each other or the price line on a moving average price bar chart. Technicians use crossovers to signal price

N

Narrow Range Day	Trading day with a smaller price range relative to the previous day's price range.
Neckline	Trendline drawn along the support or resistance points of various reversal and consolidation pattern (ie. head and shoulder, double and triple top/bottom formations).
Noise	Price and volume fluctuations that can confuse interpretation of market direction.

O

Offer	The price at which a seller is willing to sell at.
Open Trades	Current trades that are still held active in the customer's account.
Opening Auction	A pre-market window that allows submitted bids and offers to be offset with each other.
Oscillator	Technical indicator used to identify overbought and oversold price regions.
Overbought	Market prices that have risen too steeply and too fast.
Oversold	Market prices that have declined too steeply and too fast.

P

Parabolic	Description of an extremely fast moving and stretched market.
Parabolic Indicator	was designed by Welles Wilder and measures the relationship between a markets price and time.
Pennants	Short compact wedge accompanied by receding volume.
Position Sizing	A calculation to determine how many shares or contracts should be bought or sold.
Pre-Open	A market phase allowing buyers and sellers to submit orders before trading officially begins.
Price Trend	This is the definition of the current trend using a proprietary method developed by Nick Radge and used in his own trading. It rigidly and systematically defines the trend as Up/Down.
Price Trend Strength	This defines the power of the Price Trend (above) using a rigid a systematic method. Price Trend Strength will be defined as either weak or strong. Nick Radge will only enter a position when the Price Trend Strength is defined as Strong.
Profit Taking	
Pyramid	To increase holdings that an investor has by using the most buying power available in a margin account with paper and real profits.

R

R-Multiple	R refers to the initial risk on a trade where $R=1$. All profits are then measured against that initial risk.
Range	Difference between the high and low price during a given period.
Rate of Change	In which today's closing price is divided by the closing price n days ago. Multiply by 100. Subtract 100 from this value.
Rectangle	Trading area bounded by horizontal, or near horizontal, lines. It can either be a reversal or continuation pattern, depending on the breakout.
Relative Strength	Comparison of the price performance of a stock to a market index such as S&P 500 stock index.
Relative Strength Index	Indicator invented by J. Welles Wilder and used to ascertain overbought/oversold situations.
Resistance	Price level at which rising prices have stopped rising and either moved sideways or reversed direction.
Retracement	Price movement in the opposite direction of the previous trend.
Risk Reward Ratio	The ratio of the initial risk compared to the expected or realised profit (>3 is considered good).
Rounding Bottom	Pattern describing the process of a company regrouping after a series of business missteps. The rounding bottom is the end of the downtrend.

S

SaR	stands for Stop & Reverse but is an integral part of the Parabolic indicator function and commonly used as a trailing stop mechanism.
Seasonality	Consistent and predictable change in market activity that occurs from consistent and predictable events.
Selling Short	Selling a security and then borrowing the security for delivery with the intent of replacing the security at a lower price. In futures or CFD trading, selling short is to assume the responsibility of the seller vs. the buyer.
Sentiment	The view or opinion of market participants.

Simple Moving Average	Arithmetic mean or average of a series of prices over a period.
Slippage	Difference between estimated transaction price and actual executed price.
Smart Money	Reference to persons with insider knowledge.
Spike	Sharp rise in price in a single day or two.
Square (Flat)	Means having no position in the market.
Standard Deviation	Square root of the expected value of the square of the difference between a random variable and its mean.
Stochastic Oscillator	Overbought/oversold indicator that compares today's price to a preset window of high and low prices.
Stops	Buy stops are orders placed at a predetermined price over the current price of the market. Sell stops are orders that are placed with a predetermined price below the current price.
Stop and Reverse (SAR)	Stop that, when hit, is a signal to reverse the current trading position. Also known as reversal stop.
Stop Loss	Risk management technique in which the trade is liquidated to halt any further decline in value. When triggered the order will execute at the next available bid or ask.
Stop Limit	An order type that limits the price at which the order be executed at.
Stop Running	The deliberate tactic of triggering stop loss orders that are sitting in the market (see Up Tick and Down Tick) .
Support	Historical price level at which falling prices have stopped falling and either moved sideways or reversed direction; usually seen as a price chart pattern.
Swings	Measurement of movement of the price of a tradable between extreme highs and lows.

T

Technical Analysis	Form of market analysis that studies demand and supply for securities and commodities based on trading volume and price studies.
Thrust	Comparison between the price difference of successively lower pivot bottoms or higher pivot tops.

Traders Trick Entry	A technique to enter the market using a single bar's high and low as the entry trigger and protective stop point.
Trading Range	Difference between high and low prices traded during a period (ie. in commodities, the high/low price limit established by the exchange for a specific commodity for any one day's trading).
Trailing Stop	Stop loss order that follows the prevailing price trend.
Trend	Tendency of a set of statistical data as related to time
Trend Channel	Parallel probable price range centered about the most likely price line. Historically, this term has been used to denote the area between the base trendline and the reaction trendline defined by price moves against the prevailing trend.
Trend Day	Day in which the price moves consistently away from the open and does not return. Generally closing at an extreme for the day.
Trend Following	To hold a position in the direction of the prevailing price movement.
Trending Market	A sustained movement in one direction over a period of time.
Trendless	Price movement that oscillates to the degree that a clear trend cannot be identified.
Trendline	Line drawn that connects either a series of highs or lows in a trend.
Triangle	A pattern that exhibits a series of narrower price fluctuations over time (ie. top and bottom boundaries need not be of equal length).
TTE	See Traders Trick Entry

V

Volatility	Measure of a stock's tendency to move up and down in price, based on its daily price history over the latest 12 months.
Volume	Shares traded for a given market or tradable.
Volume Weighted Average Price (VWAP)	A calculation used to determine the opening and closing price of some markets or determine the strength of a trend. It is calculated by dividing the dollar value of transactions by the average volume.

W

Watchlist	A user defined set of instruments that are focused on.
Wave	In Elliott wave theory, a sustained move by a market's price in one direction between a low pivot and a high pivot.
Wave Cycle	Impulse wave followed by a correction wave, the impulse wave being made up of five smaller, numbered waves of alternating direction designated 1,2,3,4 and 5, and the correction wave being composed of three smaller alternating waves designated a, b and c.
Wedge	Pattern in which two converging lines connect a group of price peaks and troughs.
Whipsaw	Losing money on both sides of a price swing.
Win/Loss Ratio	The ratio of profitable trades verses losing trades.