

Investing: 100 Key Terms to Know

Whether you're just starting or you're a seasoned investor, understanding the essential terms of investing are critical for success. Here's a comprehensive list of 100 terms every investor should know:

1. **Alpha** – Performance of an investment compared to a benchmark.
2. **Arbitrage** – Profit from price differences in different markets.
3. **Asset** – A resource with economic value owned by an individual or entity.
4. **Asset Allocation** – Distributing investments across asset classes to manage risk.
5. **Balance Sheet** – A financial statement showing assets, liabilities, and equity.
6. **Bear Market** – A market characterized by declining prices.
7. **Beta** – Measures volatility or risk compared to the market.
8. **Bid-Ask Spread** – The difference between the price a buyer will pay and what a seller will accept.
9. **Bond** – A loan made to a borrower for a fixed period.
10. **Bull Market** – A market characterised by rising prices.
11. **Capital Gain** – Profit from selling an asset at a higher price than purchased.
12. **Capital Loss** – Loss from selling an asset at a lower price.
13. **Cash Flow** – The net amount of cash being transferred in and out of a business.
14. **Commodities** – Basic goods that are interchangeable with others of the same type.
15. **Compound Interest** – Earning interest on both the principal and previously earned interest.
16. **Corporate Bond** – A bond issued by a corporation for financing.

17. **Credit Risk** – The risk of loss due to a borrower’s failure to repay.
18. **Cryptocurrency** – Digital currency secured by cryptography.
19. **Diversification** – Spreading investments to reduce risk.
20. **Dividend** – Share of profits distributed to shareholders.
21. **Earnings per Share (EPS)** – Profit allocated to each share of common stock.
22. **Equity** – Ownership interest in a corporation.
23. **ETF (Exchange-Traded Fund)** – A security tracking an index or asset basket, traded on an exchange.
24. **Ex-Dividend** – Indicates that a dividend belongs to the seller, not the buyer.
25. **Fiduciary** – A person or organization managing assets on behalf of others.
26. **Financial Advisor** – A professional providing financial services to clients.
27. **Fixed Income** – Investments yielding a regular return, like bonds.
28. **Futures** – Financial contracts obligating the buyer to purchase or the seller to sell at a future date and price.
29. **Hedge** – An investment made to reduce the risk of adverse price movements.
30. **Index Fund** – A mutual fund constructed to track a market index.
31. **Inflation** – The rate at which prices for goods and services rise, decreasing purchasing power.
32. **Interest Rate** – The percentage charged by a lender to a borrower for the use of assets.
33. **Investment Grade** – A rating indicating low risk of default for a bond.
34. **IPO (Initial Public Offering)** – The first sale of stock by a private company to the public.
35. **Junk Bond** – A high-risk bond rated ‘BB’ or lower.
36. **Leverage** – Using borrowed money to amplify returns.
37. **Liquidity** – The ability to convert assets into cash without affecting the market price.
38. **Market Capitalization** – The total value of a company’s outstanding shares.

39. **Mutual Fund** – A professionally managed investment fund pooling money from investors.
40. **NASDAQ** – A global electronic marketplace for securities trading.
41. **Net Income** – A company's total profit after expenses and taxes.
42. **Options** – Contracts granting the right, but not the obligation, to buy or sell an asset at a specific price.
43. **P/E Ratio** – A valuation ratio comparing a company's current share price to its per-share earnings.
44. **Portfolio** – A collection of investments like stocks, bonds, and other assets.
45. **Preferred Stock** – A class of ownership with a higher claim on assets than common stock.
46. **Price Volatility** – The rate of increase or decrease in a security's price.
47. **Principal** – The original amount of money lent or invested.
48. **Private Equity** – Capital not listed on a public exchange, used to invest in private companies.
49. **Prospectus** – A legal document with details about an investment offering.
50. **REIT (Real Estate Investment Trust)** – A company that owns, operates, or finances income-generating real estate.
51. **Return on Investment (ROI)** – A measure of the efficiency of an investment.
52. **Risk** – The potential for loss or the deviation from expected returns.
53. **SEC (Securities and Exchange Commission)** – U.S. federal agency enforcing securities laws.
54. **Securities** – Financial instruments representing value, such as stocks and bonds.
55. **Short Selling** – Selling a security not owned, with the expectation its price will drop.
56. **Stock** – Represents ownership in a corporation and a claim on part of its assets and earnings.

57. **Stock Market** – A marketplace for the trading of securities.
58. **Stock Split** – Dividing existing shares into multiple shares to boost liquidity.
59. **Stop-Loss Order** – An order to sell a stock when it reaches a certain price.
60. **Technical Analysis** – Analyzing statistical trends from trading activity to identify opportunities.
61. **Treasury Bonds (T-Bonds)** – Long-term government debt securities.
62. **Treasury Bills (T-Bills)** – Short-term government debt securities.
63. **Treasury Notes (T-Notes)** – Medium-term government debt securities.
64. **Underwriting** – The process of bringing a new security to the public market.
65. **Valuation** – Determining the current worth of an asset or company.
66. **Value Investing** – Picking stocks trading below their intrinsic value.
67. **Venture Capital** – Financing provided to startups and small businesses with high growth potential.
68. **Volatility** – The rate of price changes in a security.
69. **Yield** – The income return on an investment.
70. **Yield Curve** – A line plotting interest rates of bonds with the same credit quality but different maturity dates.
71. **Z-Score** – A statistical measurement of a score's relation to the mean in a set.
72. **Zero-Coupon Bond** – A bond sold at a discount that does not pay periodic interest.
73. **Market Order** – An order to buy or sell a stock at the best available price.
74. **Limit Order** – An order to buy or sell a stock at a specific price.
75. **Dividend Yield** – A dividend expressed as a percentage of the current share price.
76. **Financial Leverage** – The use of debt to increase return potential.
77. **Gross Margin** – The difference between revenue and cost of goods, expressed as a percentage.
78. **Insider Trading** – Trading a company's stock by individuals with access to

non-public information.

79. **Liquidity Ratio** – Metrics determining a debtor's ability to pay off debt.
80. **Market Liquidity** – How easily an asset can be bought or sold at stable prices.
81. **Net Asset Value (NAV)** – The value per share of a mutual fund or ETF.
82. **Option Premium** – The income received by selling an options contract.
83. **Over-The-Counter (OTC)** – Direct trading between parties without an exchange.
84. **Portfolio Diversification** – Spreading investments across different assets to limit exposure.
85. **Price-to-Book Ratio** – Comparing a stock's market value to its book value.
86. **Price-to-Sales Ratio** – A valuation ratio comparing stock price to revenues.
87. **Quantitative Easing** – Central banks buying securities to lower interest rates and increase money supply.
88. **Real Estate Investment Trust (REIT)** – A company that finances income-producing real estate.
89. **Recession** – A significant decline in economic activity lasting more than a few months.
90. **Redemption** – The return of principal in a fixed-income security.
91. **Refinancing** – Replacing an existing loan with one having better terms.
92. **Return on Equity (ROE)** – A measure of corporate profitability showing how much profit is generated from shareholders' investments.
93. **Risk Management** – Identifying, analysing, and mitigating uncertainty in investment decisions.
94. **Sector** – A group of stocks in the same business.
95. **Short Interest** – The total shares of a stock sold short but not yet covered.
96. **Speculation** – Engaging in risky transactions hoping to profit from market fluctuations.
97. **Spread** – The difference between bid and ask prices.

98. **Stock Option** – The right to buy or sell shares at a specified price before a set date.

99. **Total Return** – The actual rate of return of an investment over time.

100. **Volatility Index (VIX)** – A measure of market risk and investor sentiment.

💡 Knowledge is power! Understanding these terms will set you up for more informed investing. Which ones were new to you, and which ones do you already use? Let's discuss in the comments!

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<https://www.kalviroventures.com/investing-terms>

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