

Name _____
Stock Market Vocabulary

Date _____
Period _____

Stock

This is the smallest measurable unit of ownership in a company. Shares fall into either the common or preferred categories; companies issue shares of stock in order to raise capital without borrowing money.

Stock Broker

A person that buys or sells stocks, bonds, commodities and such in exchange for a fee which is called a commission.

Stock Analyst

An analyst is certified to evaluate financial investments. They perform their own research in order to be able to make recommendations.

Common stock

When you own common stock, you own a part of a company and as such will be entitled to dividends. This represents the majority of stock held by the public. It has voting rights, along with the right to share in dividends. When you hear or read about “stocks” being up or down, it always refers to common stock.

Preferred stock

Stockholders will own a chunk of a corporation and the dividends are always paid in the form of cash. They are also always for the exact same amount of money each time. Investors of preferred stock have first call on dividends over common stock. This amount is a set amount that will not change unless the stock is retired or called back in the future.

Blue Chip

This term describes a company with a history of strong earning, traditionally increasing dividends and an outstanding balance sheet. Blue Chip stocks include Exxon-Mobile, Coca-Cola and Wal-Mart.

Initial public offering (IPO)

The first sale of a stock, which is issued by the private company itself.

Dividends

This is the portion of a company’s profit that is given back to the investors. Such payments are made on either an annual or quarterly basis. These dividends come from the earnings that the company has made recently.

Ask

This is the lowest price that a seller will accept when selling a stock.

Bid

This is the highest price that a buyer is willing to pay for a stock.

Spread: This stock market term reflects the difference between the Ask and the Bid.

Dow Jones Industrial Average

This is a compilation of the 30 most traded blue chip stocks. This list is the most widely used for analyzing stock market indexes.

NASDAQ

This is a stock exchange consisting primarily of technology companies.

Bear market

This is what it is called when the market is on a downward swing. Prices are low at this time in the stock market.

Bull market

At this time in the stock market prices are high and the market is on the way up.

Stock Split

Most companies like to keep their stocks in a certain price range so that it is not "too expensive" for smaller investors. When a stock's price has appreciated towards the upper end of that range, they "split" the stock. In a two-for-one stock split (the most common type), each share of stock becomes two shares that are worth half as much. You still own the same dollar value of stock. This can cause temporary fluctuations in stock price (other than the split) due to the excitement over splitting.

401(K)

A deferred compensation plan set up by an employer so that employees can set aside money for retirement on a pre-tax basis. Employers may match a percentage of the amount that employees contribute to the plan. Contributions by both, employees and employers, as well as investment earnings and interest, are not taxed until the employee withdraws the money; if the employee withdraws the money before retirement age, he or she pays an early withdrawal penalty tax. Currently, employees are allowed to annually contribute up to 15 percent of their salary but no more than \$16,500. Many employers now offer these deferred compensation plans in lieu of or in addition to pensions.

Any financial paper has stock quotes that will look something like the image below:

| 52W high | 52W low | Stock | Ticker | Div | Yield % | P/E | Vol 00s | High | Low | Close | Net chg |
|-------------|------------|-----------|--------|------|------------|------|------------|-------|-------|-------|------------|
| \$45.39 | 19.75 | ResMed | RMD | | | 52.5 | 3831 | 42.00 | 39.51 | 41.50 | -1.90 |
| 11.63 | 3.55 | Revlon A | REV | | | | 162 | 6.09 | 5.90 | 6.09 | +0.12 |
| 77.25 | 55.13 | RioTinto | RTP | 2.30 | 3.2 | | 168 | 72.75 | 71.84 | 72.74 | +0.03 |
| 31.31 | 16.63 | RitchieBr | RBA | | | 20.9 | 15 | 24.49 | 24.29 | 24.49 | -0.01 |
| 8.44 | 1.75 | RiteAid | RAD | | | | 31028 | 4.50 | 4.20 | 4.31 | +0.21 |
| \$38.63 | 18.81 | RobtHalf | RHI | | | 26.5 | 6517 | 27.15 | 26.50 | 26.50 | +0.14 |
| 51.25 | 27.69 | Rockwell | ROK | 1.02 | 2.1 | 14.5 | 6412 | 47.99 | 47.00 | 47.54 | +0.24 |

Column 1 Column 2 Column 3 Column 4 Column 5 Column 6 Column 7 Column 8 Column 9 Column 10 Column 11 Column 12

Columns 1 & 2: 52-Week High and Low

These are the highest and lowest prices at which a stock has traded over the previous 52 weeks (one year). This typically does not include the previous day's trading.

Column 3: Company Name & Type of Stock

This column lists the name of the company. If there are no special symbols or letters following the name, it is common stock. Different symbols imply different classes of shares. For example, "pf" means the shares are preferred stock.

Column 4: Ticker Symbol

This is the unique alphabetic name which identifies the stock. If you watch financial TV, you have seen the ticker tape move across the screen, quoting the latest prices alongside this symbol. If you are looking for stock quotes online, you always search for a company by the ticker symbol. If you don't know what a particular company's ticker is you can search for it at: <http://finance.yahoo.com/>.

Column 5: Dividend Per Share

This indicates the annual dividend payment per share. If this space is blank, the company does not currently pay out dividends.

Column 6: Dividend Yield

This is the percentage of a dividend paid against the stock price. For example, if you receive a \$3 dividend on a \$30 per share stock, your yield is 10%.

Column 7: Price/Earnings Ratio

This is calculated by dividing the current stock price by earnings per share from the last four quarters. For example, if you have \$30 stocks that report a profit of \$2 per share, your P/E ratio is 15; \$30 per share divided by \$2 earnings per share equals 15. The lower the P/E ratio, the better the investment.

Column 8: Trading Volume

This figure shows the total number of shares traded for the day, listed in hundreds. To get the actual number traded, add "00" to the end of the number listed.

Column 9 & 10: Day High and Low

The price range at which the stock has traded at throughout the day. In other words, these are the maximum and the minimum prices that people have paid for the stock.

Column 11: Close

The close is the last trading price recorded when the market closed on the day. If the closing price is up or down more than 5% than the previous day's close, the entire listing for that stock is bold-faced. Keep in mind, you are not guaranteed to get this price if you buy the stock the next day because the price is constantly changing (even after the exchange is closed for the day). The close is merely an indicator of past performance and except in extreme circumstances serves as a ballpark of what you should expect to pay.

Column 12: Net Change

The dollar value change in the stock price from the previous day's closing price. When you hear about a stock being "up for the day," it means the net change was positive.



How does the Stock Market work?

The first step for you to understand the stock market is to understand stocks.

A share of stock is the smallest unit of ownership in a company. If you own a share of a company's stock, you are a part owner of the company. You have the right to vote on members of the board of directors and other important matters before the company. If the company distributes profits to shareholders, you will likely receive a proportionate share. One of the unique features of stock ownership is the notion of limited liability. If the company loses a lawsuit and must pay a huge judgment, the worse that can happen is your stock becomes worthless. The creditors can't come after your personal assets. That's not necessarily true in private-held companies.

What determines the price of a stock?

Stock prices change every day as a result of market forces. By this we mean that share prices change because of supply and demand. If more people want to buy a stock (demand) than sell it (supply), then the price moves up. Conversely, if more people wanted to sell a stock than buy it, there would be greater supply than demand, and the price would fall.