

Basic Share Market Terminology



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Stock: A type of security representing ownership in a corporation, entitling the holder to a portion of the company's assets and profits



Dividend: A share of profits paid to shareholders, typically on a regular basis



Portfolio: A collection of financial investments like stocks, bonds, commodities, cash, and cash equivalents, including mutual funds and ETFs



Bull Market: A market condition where prices are rising or expected to rise



Bear Market: A market condition characterized by falling prices and often triggered by economic downturns



IPO : The process by which a private company offers its shares to the public for the first time



Blue Chip Stocks: Shares of large, nationally recognized, financially sound companies

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Index : Benchmarks reflecting the overall performance of a selection of stocks, representing a specific market or a segment of it

Bid Price: The highest price a buyer is willing to pay for a stock

Ask Price: The lowest price a seller is willing to accept for a stock

Volume: The number of shares or contracts traded in a security or market during a given period

Market Capitalization: The total market value of a company's outstanding shares

Equity: Ownership interest in a company in the form of common or preferred stock

Bond: A fixed-income instrument representing a loan made by an investor to a borrower

Mutual Fund: An investment program funded by shareholders that trades in diversified holdings and is managed by professionals

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- **Exchange Traded Funds (ETF) :** A type of security that tracks an index, sector, commodity, or other assets but can be bought and sold on a stock exchange like a regular stock
- **Liquidity:** The ease with which an asset or security can be converted into ready cash without affecting its market price
- **Yield:** The income return on an investment, such as the interest or dividends received from holding a particular security
- **Sector:** A group of stocks that are in the same business
- **PE Ratio :** A valuation ratio of a company's current share price compared to its per-share earnings
- **Dividend Yield:** A financial ratio that shows how much a company pays out in dividends each year relative to its stock price

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Market Terminology



Book Value: The net value of a company's assets minus its liabilities and intangible assets



Face Value: The nominal value of a security stated by the issuer



Benchmark: Standard against which the performance of a security, mutual fund, or investment manager can be measured



Financial Year: A period used for calculating annual financial statements in businesses and other organizations

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Advanced Stock Market Terminology

Derivatives: Financial securities whose value depends on, or derives from, an underlying asset or group of assets

Futures: Contracts to buy or sell an asset at a predetermined future date and price

Options: Contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a set price before a certain date

Short Selling: The sale of a security not owned by the seller, typically borrowed and then bought back later at a lower price

Margin Trading: Borrowing funds from a broker to purchase stocks, using the bought stocks as collateral

Circuit Breakers: Measures used by stock exchanges to temporarily halt trading in response to large price declines in the market

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Advanced Stock Market Terminology

- Leverage: The use of borrowed capital to increase the potential return of an investment
- Hedging: Investment strategy used to reduce risk by taking an offsetting position in a related asset
- Arbitrage: The practice of buying and selling the same asset in different markets to profit from price differences
- Insider Trading: Illegal practice of trading on the stock exchange to one's own advantage through having access to confidential information
- Market Order: An order to buy or sell a stock at the best available current price
- Limit Order: An order to buy or sell a stock at a specific price or better
- Stop Loss Order: An order placed with a broker to buy or sell once the stock reaches a certain price

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Advanced Stock Market Terminology

- Demat Account: An account that holds financial securities in electronic form
- Trading Account: An account used to buy and sell securities on a stock exchange
- Broker: An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor
- Sub-broker: An agent who is not a stock exchange member but acts on behalf of a broker
- Bull Spread: An options strategy used when an investor expects a moderate increase in the underlying asset's price
- Bear Spread: An options strategy used when an investor expects a moderate decrease in the underlying asset's price

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Advanced Stock Market Terminology

Straddle	Straddle: An options strategy involving the purchase or sale of particular option derivatives, allowing the holder to profit based on how much the price of the underlying security moves
Strangle	Strangle: An options strategy where the investor holds a position in both a call and put with different strike prices but with the same maturity and underlying asset
Call	Call Option: A financial contract giving the buyer the right, but not the obligation, to buy a stock, bond, commodity, or other instrument at a specified price within a specific time period
Put	Put Option: A stock market instrument that gives the holder the right to sell a particular stock at a specified price within a specific time period

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Advanced Stock Market Terminology

- Open Interest: The total number of outstanding derivative contracts, such as options or futures, that have not been settled
- Settlement: The process of reconciling a trade, where the buyer pays the seller for the transfer of the security

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Unique Aspects of the Indian Stock Market

Muhurat Trading: A special trading session is held for an hour on Diwali, marking the beginning of the new financial year according to the Hindu calendar, considered auspicious by investors

SEBI Regulations: Rules and regulations set by the Securities and Exchange Board of India to protect investor interests and ensure fair market practices

Nifty: An index representing the 50 most traded stocks on the National Stock Exchange

Sensex: The benchmark index of the Bombay Stock Exchange , representing 30 financially sound and well-established companies

Participatory Notes: Financial instruments used by foreign investors to invest in Indian securities without registering directly with SEBI

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Unique Aspects of the Indian Stock Market

F&O Segment: A market segment that deals with trading futures and options contracts on the Indian stock exchanges

SLBM : A system that allows investors to borrow or lend securities in the Indian market

RGESS : A tax-saving scheme in India to encourage small investors to invest in the domestic stock market

ELSS : A type of mutual fund in India that offers tax benefits under the Income Tax Act

Direct and Indirect Taxes on Securities: Taxes imposed on the buying and selling of securities in the Indian market

Dematerialization: Conversion of physical shares into electronic form

Rematerialization: The process of converting electronic securities back into physical form

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Unique Aspects of the Indian Stock Market

-  ASBA : An application mechanism for subscribing to IPOs, where the application money is blocked in the bank account until shares are allotted
-  QIP : A capital-raising tool whereby a listed company can issue equity shares to a qualified institutional buyer
-  SME Platform: Specialized platforms on Indian stock exchanges for small and medium-sized enterprises to raise equity capital

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Comparative Terminology Analysis

- Market Capitalization : While the concept of market capitalization is universal, the scale and market dynamics can vary significantly between Indian and global markets
- FII : Investors or investment companies registered in a country outside of India and investing in the Indian market
- DII : Institutional investors who are based within India, such as mutual funds, insurance companies, and banks, and their influence is significant in the Indian market
- Corporate Governance : Practices and policies that dictate how a company is administered and controlled
- GAAP : These are the accounting standards used for financial reporting
- FPO : A stock issuance by a company already listed on an exchange can have different implications in Indian and global contexts

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Comparative Terminology Analysis

ADR : A way for companies in the Indian market to list on American stock exchanges and vice versa

GDR : Similar to ADRs, but used to list a company's shares on international stock exchanges outside the U.S

VIX : While the concept of a volatility index is global , India's own VIX can react differently to local market conditions

Compliance Standards : Regulatory and compliance standards vary between countries

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Further Learning for Stock Market Beginners



"The Intelligent Investor" by Benjamin Graham: This classic book is a cornerstone of value investing philosophy, providing timeless advice for investors



"How To Avoid Losses And Earn Consistently In The Stock Market" by Prasenjit Paul: The book focuses on preventing investment losses and simplifying the stock market using relatable examples and incidents



"Guide To Indian Stock Market" by Jitendra Gala: The book defines different stock market terminology in a way that a beginner in the stock market can understand

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