Document: Trading Platform Glossary

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Trading Platform Glossary

Quick Reference: Essential terms for automated trading on our platform
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A

API (Application Programming Interface)

Connection method that allows our platform to communicate with exchanges and brokers. Users provide API keys to enable automated order placement without manual intervention. **See also:** API Key, Exchange Connection

API Key

Secure credentials generated by exchanges to authorize third-party applications (like our platform) to access your account and place trades. Consists of a public key and private secret. **Important:** Never share your API secret.

ATR (Average True Range)

Volatility indicator that measures average price movement over a specified period (typically 14 bars). Used for setting stop-losses and position sizing based on market volatility. Higher ATR = more volatile asset.

Automated Trading

Trading approach where strategies execute orders automatically based on predefined rules, without manual intervention. Removes emotional decision-making and enables 24/7 trading.

B

Backtest / Backtesting

Testing a trading strategy on historical market data to evaluate how it would have performed in the past. Critical validation step before live trading. **Important:** Past performance doesn't guarantee future results.

Bollinger Bands

Volatility indicator consisting of a moving average with upper and lower bands set at standard deviations from the average. Price touching bands can signal overbought/oversold conditions.

Buy & Hold

Passive investment strategy where you buy an asset and hold it long-term regardless of price fluctuations. Often used as a benchmark to compare active trading strategy performance.

C

Candlestick

Visual representation of price movement during a specific time period. Shows open, high, low, and close prices. Green/white = price increased, red/black = price decreased.

Commission

Fee charged by exchanges or brokers for executing trades. Typically 0.1% per trade for crypto, $0-10 for stocks. Must be factored into strategy profitability calculations.

Compound Returns

Strategy of reinvesting profits to increase position sizes over time. Leads to exponential growth but also exponential losses if strategy fails. **See also:** Capital Management

Crossover

Technical analysis event where one indicator crosses above or below another. Example: Fast moving average crossing above slow moving average generates buy signal. Common in trend-following strategies.

D

Drawdown

Decline in account value from peak to trough, measured as percentage. Example: Account grows to $10,000, drops to $8,500 = 15% drawdown. **Maximum Drawdown** = largest historical decline.

Day Trading

Trading style where all positions are opened and closed within the same trading day. No overnight exposure. Typically uses 15-minute to 4-hour timeframes.

E

Entry Signal

Condition or set of conditions that trigger strategy to open a position. Example: "RSI drops below 30" or "Price crosses above 50-day moving average."

Equity Curve

Graph showing account value over time. Upward sloping = profitable strategy. Flat periods = drawdowns or sideways performance. Used to visualize strategy performance.

Exchange

Trading venue where assets are bought and sold. Examples: Binance (crypto), Coinbase (crypto), Interactive Brokers (stocks/options). Platform connects via API to place orders.

Exit Signal

Condition that triggers strategy to close a position. Can be profit target, stop-loss trigger, or signal reversal.

F

Forex (Foreign Exchange)

Market for trading currencies (EUR/USD, GBP/JPY, etc.). Largest financial market globally, open 24/5. Known for high liquidity and leverage availability.

Funding Rate

Fee paid between traders in perpetual futures contracts. Long positions pay shorts (or vice versa) every 8 hours. Can erode profits on leveraged positions held overnight.

I

Indicator

Mathematical calculation applied to price/volume data to identify patterns or trends. Examples: Moving Average, RSI, MACD, Bollinger Bands. Used to generate trading signals.

K

Kelly Criterion

Mathematical formula for calculating optimal position size based on win rate and average win/loss ratio. Maximizes long-term growth but requires accurate input data. Most traders use 1/4 or 1/2 Kelly for safety.

L

Leverage

Borrowing funds to increase position size beyond available capital. 10x leverage = $1,000 controls $10,000 position. **Warning:** Amplifies both gains and losses. Can lead to liquidation.

Limit Order

Order to buy/sell at specified price or better. Guarantees price but not execution. Opposite of market order. **Use when:** Price control more important than immediate execution.

Liquidation

Forced closing of leveraged position when losses approach margin requirement. Occurs when account equity drops below maintenance margin level. Can result in total position loss.

Long Position

Buying an asset with expectation it will increase in value. Profit from price rising. Opposite of short position.

M

MACD (Moving Average Convergence Divergence)

Momentum indicator showing relationship between two moving averages. Generates buy signals when MACD crosses above signal line, sell signals when crossing below.

Margin

Collateral required to open and maintain leveraged positions. Example: 10x leverage requires 10% margin. **See also:** Maintenance Margin, Initial Margin

Market Order

Order that executes immediately at current market price. Guarantees execution but not exact price. Subject to slippage, especially in volatile markets.

Moving Average (MA)

Average of asset price over specified number of periods. Smooths price data to identify trend direction. **Types:** Simple MA (SMA), Exponential MA (EMA), Weighted MA (WMA).

O

Overfitting

Creating strategy that performs perfectly on historical data but fails in live trading. Caused by optimizing too many parameters for specific past conditions. **Prevention:** Out-of-sample testing, simplicity.

Overbought / Oversold

Market conditions where price has moved too far too fast. Overbought (RSI >70) = potential reversal down. Oversold (RSI <30) = potential reversal up. Not guarantees, just warnings.

P

Paper Trading

Simulated trading with fake money using real-time market data. Tests strategies in live market without financial risk. **Recommended:** 2+ weeks before live trading.

Position Sizing

Determining how much capital to allocate per trade based on risk tolerance. Critical risk management component. **Formula:** (Account × Risk %) ÷ Stop Distance

Profit Factor

Ratio of gross profit to gross loss. Measures strategy efficiency. **Calculation:** Total Winning Trades ÷ Total Losing Trades. **Target:** >1.5 for viable strategy.

R

Risk Management

Set of rules to preserve capital and limit losses. Includes position sizing, stop-losses, portfolio heat limits, and drawdown controls. **Most important aspect of profitable trading.**

Risk/Reward Ratio

Comparison of potential loss to potential gain on a trade. Example: Risk $100 to make $200 = 2:1 risk/reward. **Recommendation:** Minimum 1.5:1, ideally 2:1 or higher.

RSI (Relative Strength Index)

Momentum oscillator measuring speed and magnitude of price changes. Scale: 0-100. Above 70 = overbought, below 30 = oversold. Standard setting: 14 periods.

S

Scalping

High-frequency trading style targeting small profits (0.5-2%) on very short timeframes (1-5 minutes). Requires tight spreads and low commissions to be profitable.

Sharpe Ratio

Risk-adjusted return metric. Measures return relative to volatility. **Calculation:** (Return - Risk-Free Rate) ÷ Standard Deviation. **Target:** >1.0 good, >2.0 excellent.

Short Position

Selling borrowed asset with expectation it will decrease in value, then buying back at lower price. Profit from price falling. Opposite of long position. **Note:** Unlimited loss potential.

Slippage

Difference between expected trade price and actual execution price. Occurs with market orders in moving markets. **Typical:** 0.1-0.3% for liquid assets. Must model in backtests.

Stop-Loss

Automatic order to close position at predetermined price to limit losses. Essential risk management tool. **Types:** Fixed, trailing, ATR-based. **Setting:** 3-5% for crypto, 2-3% stocks.

Strategy

Set of rules defining when to enter trades, exit trades, and manage risk. Can be manual or automated. Our platform specializes in automated strategy execution.

Swing Trading

Trading style holding positions for days to weeks, capturing larger price swings. Uses 4-hour to daily timeframes. Middle ground between day trading and position trading.

T

Take-Profit

Automatic order to close position at predetermined profit level. Locks in gains without monitoring. Optional but recommended. **Example:** Buy at $50,000, take-profit at $55,000 (+10%).

Timeframe

Duration represented by each candlestick on chart. Examples: 1-minute, 15-minute, 1-hour, 1-day. Strategy timeframe should match trading style (scalp = short, swing = long).

Trailing Stop

Dynamic stop-loss that moves with profitable price action. Locks in profits while allowing winners to run. **Example:** 5% trailing stop on $50,000 entry adjusts upward as price rises.

V

Volatility

Measure of price fluctuation magnitude. High volatility = large price swings. Low volatility = stable prices. Impacts position sizing (larger positions in low volatility) and stop placement.

Volume

Number of shares/contracts/coins traded during specified period. High volume = liquid market, easier execution. Low volume = illiquid, wider spreads, greater slippage.

W

Win Rate

Percentage of trades that are profitable. **Calculation:** Winning Trades ÷ Total Trades × 100. **Important:** Not sufficient alone—must consider average win/loss size. 40% win rate with 3:1 reward:risk can be very profitable.

Additional Resources

For deeper understanding: - Understanding Margin Trading Guide - Comprehensive leverage explanation - Position Sizing Strategy Guide - Risk management mathematics - Backtesting Engine Guide - Performance metrics detailed - Strategy Builder Tutorial - Creating automated strategies

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