FINANCIAL JARGON

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ALPHA

Your secret sauce! Alpha refers to the ability to generate returns that beat the market benchmark. Like a spy with top-secret intel, it's about having an edge that gives you an advantage.

ASSET

Something valuable you own that's expected to generate future benefit. Think of it as a treasure in your financial chest.

ANGEL INVESTOR

A high-net-worth individual who provides financial backing to early-stage startups. Basically, a fairy godmother for businesses with promising ideas.

BALANCE SHEET

⚖️ A financial snapshot that shows what a company owns (assets) and owes (liabilities) at a specific point in time. It's like a weighing scale to see if a company is financially balanced.

BAYE'S THEOREM

A fancy way of using past information to update probabilities. It's like being a financial detective, using clues to make better predictions.

BEAR MARKET

A gloomy period in the stock market where prices are generally falling. Imagine a grumpy bear pulling down the prices!

BERKSHIRE HATHAWAY

A legendary holding company run by Warren Buffett. Think of it as a financial kingdom ruled by the "Oracle of Omaha."

BLOCKCHAIN

⛓️ A secure, distributed ledger technology that underpins cryptocurrencies. Imagine a transparent chain of blocks recording transactions securely.

BULL MARKET

A happy time in the stock market where prices are generally rising. Picture a bullish bull charging prices upwards!

BUSINESS MODEL

The blueprint for how a company creates and captures value. It's like a roadmap showing how a business makes money.

BUSINESS VALUATION

⚖️ The process of determining the fair market value of a company. Imagine appraising a business like you would a piece of art.

CAPITAL

The resources (money, equipment, people) needed to run a business. This is the fuel that keeps the business engine going!

CAPITAL ASSET PRICING MODEL (CAPM)

A model that helps estimate the expected return of an investment based on its risk. It's like a financial calculator that spits out risk-adjusted returns.

CAPITALISM

An economic system where private individuals or businesses own the means of production and their motive is to make a profit. Imagine a marketplace where everyone strives for their own economic gain.

COLLATERAL

An asset that a borrower pledges as security for a loan. It's like putting up security to ensure you'll repay borrowed money.

COMPOUND ANNUAL GROWTH RATE (CAGR)

The average annual growth rate of an investment over a specific period. Imagine the magic of your money growing year after year, like a snowball rolling downhill.

COMPOUND INTEREST

Interest earned on both the initial principal amount and the accumulated interest from previous periods. It's like getting paid interest on your interest - like a financial snowball effect!

CONSUMER PRICE INDEX (CPI)

A measure of inflation that tracks the average price of a basket of goods and services. Think of it as a gauge to see how much your shopping basket costs over time.

DEBT RATIO

DEBT-TO-EQUITY RATIO (D/E)

DEMAND

DERIVATIVE

A financial contract whose value is derived from the performance of an underlying asset (like a stock, bond, or commodity). Imagine a financial instrument that piggybacks on the performance of something else.

DIVIDEND

A portion of a company's profit that is paid out to shareholders. Think of it as a slice of the pie a company shares with its owners.

DIVIDEND PAYOUT RATIO

% The percentage of a company's earnings that is paid out as dividends to shareholders. It shows how much of the pie is being shared with the owners.

DIVIDEND YIELD

% The annual dividend per share expressed as a percentage of the stock price. Imagine the yearly dividend you get for every ₹100 you invest in the stock.

EARNINGS PER SHARE (EPS)

A measure of a company's profit per share of outstanding common stock. Think of it as a company's profit slice allotted to each share.

ECONOMIC GROWTH

The expansion of the overall size of an economy over time. Imagine the size of the entire financial pie increasing.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

A company benefit program that allows employees to acquire stock in the company. Think of it as a way for employees to own a piece of the pie (company) they help bake.

EQUITY

Ownership interest in a company represented by shares of stock. Essentially, a piece of the ownership pie!

EXCHANGE RATE

The relative value of one currency compared to another currency. Imagine the conversion rate between rupees and dollars.

EXCHANGE-TRADED FUND (ETF)

An investment fund that tracks a basket of assets like stocks or bonds and trades on a stock exchange like a single security. Imagine a pre-made portfolio you can buy and sell on the stock market.

FIAT MONEY

Government-issued currency that is not backed by a physical commodity like gold. Think of rupees or dollars that are not pegged to the value of any other asset.

FINANCIAL STATEMENTS

Documented reports that summarize a company's financial performance and position. Imagine a company's financial report card with its results.

FISCAL POLICY

Government actions to influence the economy, such as tax and spending decisions. Imagine the government using tax rates and spending to control the economy.

FIXED-INCOME SECURITY

An investment that pays a predetermined amount of interest at regular intervals. Think of a bond that guarantees a fixed interest payout.

FREE MARKET

An economic system characterized by private ownership of businesses and minimal government intervention. Imagine a marketplace where buyers and sellers freely determine prices.

FUTURES

A standardized contract that obligates the buyer to purchase and the seller to deliver an asset at a predetermined price on a specific future date. Imagine an agreement to buy or sell something at a set price on a set date in the future.

GAMMA

A measure of how rapidly the delta (the rate of change of an option's price) of an option changes in response to changes in the underlying asset's price. Think of it as an advanced option concept to measure how quickly the value of an option changes.

GOVERNMENT BOND

A debt security issued by a national government to raise money. Imagine borrowing money by giving the government an IOU that pays you interest.

GREAT DEPRESSION

A severe worldwide economic depression that lasted from 1929 to roughly the late 1930s. Imagine a time of extreme economic hardship.

GROSS DOMESTIC PRODUCT (GDP)

The total market value of all final goods and services produced in a country in a given year. Imagine the total value of everything produced in a country within a year.

GROSS INCOME

Total earnings before any deductions or taxes are applied. Think of all your income before anything is taken out.

GROSS MARGIN

The profit a company makes after subtracting the cost of goods sold from its revenue. Imagine your profit after considering the cost of what you sell.

GROSS NATIONAL PRODUCT (GNP)

The total market value of all final goods and services produced by a country's residents, including income earned overseas. Imagine the total value of everything produced by a country's citizens, including those working abroad.

GROSS PROFIT

The difference between a company's revenue and the cost of goods sold. Imagine your profit before accounting for other expenses.

GROSS PROFIT MARGIN

Gross profit as a percentage of revenue. Imagine your profit percentage after considering the cost of what you sell.

HARMONIC MEAN

A type of average calculated by taking the reciprocal of the average of reciprocals. Think of a more advanced way to calculate an average that can be useful in specific situations.

HEDGE

An investment strategy designed to reduce the risk of adverse price movements in a portfolio. Imagine an umbrella to protect your investments from a rainy market.

HEDGE FUND

An investment partnership that uses complex investment strategies, often involving leverage and derivatives, to generate high returns. Think of an aggressive investment pool that aims for big profits but also carries higher risks.

HOLDING COMPANY

A company that owns a controlling interest in one or more other companies, but doesn't necessarily produce goods or services itself. Imagine a company that acts like a parent company, owning other businesses.

HUMAN CAPITAL

The knowledge, skills, and experience possessed by a company's workforce. Imagine the skills and knowledge of your employees as a valuable asset.

HYPERINFLATION

An extremely high and rapid increase in prices over a short period of time. Imagine prices going up so fast, your money loses its buying power very quickly.

HYPOTHESIS TESTING

An extremely high and rapid increase in prices over a short period of time. Imagine prices going up so fast, your money loses its buying power very quickly.

INCOME STATEMENT

A financial statement that summarizes a company's revenue and expenses over a specific period. Imagine a company's report card showing its income and expenses.

INDEX FUND

A passively managed mutual fund that tracks a particular market index, like the Nifty 50. Imagine a pre-made portfolio that mirrors a specific market segment.

INFLATION

A general increase in the price level of goods and services in an economy over time. Imagine your money buying less over time due to rising prices.

INITIAL PUBLIC OFFERINGS (IPOs)

The first sale of a company's stock to the public. Imagine a company selling its shares to the public for the first time.

INSIDER TRADING

Buying or selling a security based on material, non-public information. Imagine using confidential information to gain an unfair advantage in the stock market (illegal).

INSURANCE

A financial contract that provides protection against loss from a contingent event. Imagine a safety net that pays you if something bad happens.

INSURANCE PREMIUM

The amount of money you pay for an insurance policy. Imagine the fee you pay for your financial safety net.

INTEREST RATE

The cost of borrowing money, expressed as a percentage of the principal amount. Imagine the fee you pay for borrowing money.

INVERTED YIELD CURVE

An unusual situation where short-term interest rates are higher than long-term interest rates. Imagine a situation where borrowing money for a short time is more expensive than borrowing for a longer period (usually a sign of an upcoming recession).

JOINT-STOCK COMPANY

A business form where ownership is divided into transferable shares. Imagine a company where ownership is divided into tradable parts (shares).

LAW OF DEMAND

The economic principle that states that, all other factors being equal, as the price of a good or service rises, the quantity demanded by consumers will decrease. Imagine the higher the price, the less people are willing to buy.

LAW OF SUPPLY

The economic principle that states that, all other factors being equal, as the price of a good or service rises, the quantity supplied by producers will increase. Imagine the higher the price, the more producers are willing to sell.

LAW OF SUPPLY & DEMAND

The foundation of modern economics, which explains how the interaction of supply and demand determines prices. Imagine an invisible force that dictates market prices based on what people are willing to buy and sell.

LEVERAGE

The use of borrowed money to amplify potential returns. Imagine using borrowed money to magnify your investment gains (but also magnify your losses).

LEVERAGE RATIO

A measure of a company's financial leverage, calculated by dividing total debt by total equity. Imagine a ratio that shows how much debt a company has compared to its own money.

LEVERAGED BUYOUT (LBO)

The acquisition of a company using a significant amount of borrowed money. Imagine buying a company using mostly borrowed funds.

LIABILITY

A financial obligation that a company owes to another entity. Imagine a company's financial debt.

LIMIT ORDER

An order to buy or sell a security at a specific price or better. Imagine instructing the market to buy or sell only at a certain price or a more favorable one.

LIMITED LIABILITY COMPANY (LLC)

A business structure that offers limited liability protection to its owners. Imagine a business form where the owner's personal assets are shielded from business debts.

LINE OF CREDIT (LOC)

A business structure that offers limited liability protection to its owners. Imagine a business form where the owner's personal assets are shielded from business debts.

LIQUIDATION

The process of selling off a company's assets to pay off its debts. Imagine a company selling everything it owns to settle its dues.

LIQUIDITY

The ease with which an asset can be converted into cash. Imagine how quickly you can turn an investment into cash.

LOAN-TO-VALUE RATIO (LTV)

A ratio used by lenders to assess the risk of a loan. It's calculated by dividing the amount of the loan by the fair market value of the asset used as collateral.

Imagine a ratio a bank uses to see how much you're borrowing compared to the value of the asset you're putting up as security.

MARGIN

The difference between the purchase price of a security and the amount borrowed from a broker to finance the purchase. Imagine the down payment you make when buying a security on credit.

MARKET SHARE

The percentage of the total sales of a good or service in a market that is captured by a particular company. Imagine the slice of the sales pie a company owns in a specific market.

MONEY LAUNDERING

The process of disguising the illegal source of money to make it appear legitimate. Imagine turning dirty money into clean money through illegal means.

MUTUAL FUND

An investment company that pools money from many investors and invests it in a variety of assets. Imagine a shared investment basket where many people contribute and a fund manager oversees the investments.

NET ASSET VALUE (NAV)

The value of a mutual fund's underlying assets per share, calculated by dividing the total assets of the fund by the number of outstanding shares. Imagine the true worth of each share in a mutual fund, reflecting the value of the investments it holds.

NET INCOME (NI)

The profit of a company after all expenses, including taxes, have been deducted. Imagine your final profit after accounting for all your business expenses and taxes.

NET OPERATING INCOME (NOI)

A profitability measure that shows a company's operating earnings before interest and taxes are taken out. Imagine your profit from core business operations before considering financing costs and taxes.

NET PRESENT VALUE (NPV)

A valuation metric used to assess the profitability of an investment by discounting its future cash flows to the present. Imagine a way to calculate the present value of an investment's future earnings.

NET PROFIT MARGIN

A profitability metric that expresses a company's net profit as a percentage of its revenue. Imagine what percentage of your revenue translates to actual profit after all expenses are considered.

NET WORTH

The total value of your assets minus your liabilities. Imagine all your valuable possessions minus what you owe.

OPERATING INCOME

The profit a company earns from its core business activities before taxes are taken out. Imagine your profit from running the business before considering government taxes.

OPERATING LEVERAGE

The degree to which a company's profits are magnified by changes in its revenue. Imagine how a change in sales can significantly impact your profits due to fixed operational costs.

OPERATING MARGIN

A profitability metric that shows a company's operating profit as a percentage of its revenue. Imagine what percentage of your revenue translates to profit from core business activities before considering interest and taxes.

OPPORTUNITY COST

The benefit you give up by choosing one alternative over another. Imagine the potential gain you miss out on by picking one investment option over another.

OPTION

A contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a predetermined price by a specific expiry date. Imagine an agreement that gives you the option to buy or sell something at a certain price by a certain time.

PER-CAPITA GDP

Gross domestic product (GDP) divided by the total population of a country. Imagine the average economic output (GDP) per person in a country.

PRE-MARKET

The period before the official opening of a stock exchange. Imagine the time before the stock market officially opens for trading.

PRICE-TO-EARNINGS RATIO (P/E RATIO)

A stock valuation metric that compares a company's current stock price to its earnings per share (EPS). Imagine a ratio to see how much investors are willing to pay for every ₹1 of a company's earnings.

PRICE/EARNINGS-TO-GROWTH (PEG) RATIO

A stock valuation metric that compares the P/E ratio of a company to its expected earnings growth rate. Imagine a ratio that considers both a company's valuation and its growth potential.

PRO RATA

In proportion to something else. Imagine dividing something up proportionally.

PRODUCER PRICE INDEX (PPI)

A measure of inflation that tracks the average price of goods sold by domestic producers. Imagine a gauge to see how much the prices businesses pay for goods are changing.

PROFIT

The financial gain earned when revenue from sales exceeds expenses. Imagine your earnings after subtracting your business costs.

PROFIT AND LOSS STATEMENT (P&L)

A financial statement that summarizes a company's revenues and expenses over a specific period. Imagine a report card showing a company's income and expenses.

QUALITATIVE ANALYSIS

The evaluation of a company or investment based on non-quantitative factors, such as its management team, brand reputation, and competitive landscape. Imagine analyzing a company beyond just numbers, considering its leadership, brand image, and how it competes in the market.

QUANTITATIVE ANALYSIS

The evaluation of a company or investment using numerical data and financial metrics. Imagine using numbers and financial ratios to assess a company's performance and investment potential.

REGRESSION

A statistical technique used to estimate the relationship between a dependent variable (what you're trying to predict) and one or more independent variables (factors that influence the dependent variable). Imagine a statistical method to see how one thing influences another.

RETURN ON ASSETS (ROA)

A profitability ratio that measures how much profit a company generates from its total assets. Imagine a metric to see how effectively a company uses its assets to generate profits.

RETURN ON EQUITY (ROE)

A profitability ratio that measures how much profit a company generates from its shareholders' equity. Imagine a metric to see how much profit a company makes for each rupee invested by its shareholders.

RETURN ON INVESTED CAPITAL (ROIC)

A profitability metric that measures a company's efficiency at generating returns on the capital it employs. Imagine a measure to see how well a company uses all its invested capital (debt and equity) to create profits.

RETURN ON INVESTMENT (ROI)

A performance metric used to evaluate the efficiency or profitability of an investment. Imagine a way to measure the gain or loss you get from an investment.

SECURITY

A tradable financial asset, such as a stock, bond, or option. Imagine an ownership stake (stock) or a loan agreement (bond) that can be bought and sold in the market.

SHARPE RATIO

A metric used to assess the risk-adjusted performance of an investment. Imagine a way to measure how much return you get on an investment compared to the risk you take.

SHORT SELLING

An investment strategy that involves borrowing a security and selling it in the hope of repurchasing it later at a lower price to return to the lender. Imagine borrowing a stock, selling it high, and hoping to buy it back cheaper later to make a profit. (**Note:** This is a risky strategy)

STOCK

A unit of ownership in a corporation. Imagine a piece of ownership in a company.

STOP-LIMIT ORDER

An order to buy or sell a security at a specified price or better, but only if the price reaches a certain stop price first. Imagine an instruction to buy or sell only if the price hits a certain level and then reaches your desired price point.

TECHNICAL ANALYSIS

An investment analysis approach that studies historical price and volume data to identify trading opportunities. Imagine using past market data (price movements and trading volume) to predict future price trends.

TREASURY BILLS (T-BILLS)

Short-term debt obligations issued by the U.S. government. Imagine short-term IOUs issued by the U.S. government to borrow money.

TRUST FUND

An arrangement where one person (grantor) gives another person (trustee) legal title to assets to

TURNOVER

The number of times a company's inventory or assets are sold and replaced over a period. Imagine how often a company sells its products and replaces them with new stock.

UNEMPLOYMENT RATE

The percentage of the labor force that is unemployed and actively seeking work. Imagine the percentage of people in the workforce who are actively looking for a job but can't find one.

UNLEVERED BETA

A measure of a company's systematic risk (market risk) without considering its financial leverage. Imagine a measure of a company's inherent riskiness without the influence of debt.

VALUE INVESTING

An investment strategy that focuses on buying stocks that appear to be trading for less than their intrinsic value. Imagine buying stocks that seem to be undervalued based on their long-term potential.

VALUE-ADDED TAX

A consumption tax levied on the incremental value added to a product or service at each stage of production or distribution. Imagine a tax applied to the value added to a product as it moves through the production and sales chain.

VENTURE CAPITAL

Financing provided to startups and early-stage businesses with high growth potential. Imagine investing in young companies with the potential for high growth.

VOLATILITY

The degree to which the price of a security fluctuates over time. Imagine how much the price of an investment swings up and down.

WITHHOLDING TAX

A tax that is withheld from certain types of income, such as wages or interest payments, and then forwarded to the tax authorities

YIELD

The return on an investment expressed as a percentage of the investment's cost. Imagine the annual profit you get from your investment compared to what you paid for it.

YIELD CURVE

A graphical representation of the interest rates available for different maturities of a similar security, typically government bonds. Imagine a graph that shows you the interest rates you can get depending on how long you lend your money (bond maturities).

ZERO-COUPON BOND (ZERO)

A bond that doesn't pay periodic interest payments but is sold at a discount from its face value and redeemed at maturity for its full face value. Imagine a bond that doesn't pay regular interest but is sold at a lower price than its maturity value.

Resources referred:
Investopedia - Financial Term Dictionary
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cowrywise.com/blog/financial-derivatives/