Glossary of Trading and MT4 Terminology

by David J. Lin

dave.j.lin@gmail.com
http://activeone.com/davidjlin/

algorithm	A set of logical rules for mathematical calculations, decision making, and modes of actions which can be executed by a computer program.
Ask	The price of a contract which the client pays when buying it through a brokerage (entering long or exiting short).
bar	See *price bar.*
Bid	The price of a contract which the client receives when selling it through a brokerage (entering short or exiting long).
broker	An individual who works at a brokerage whose responsiblities may include soliciting new clients and supporting the needs of existing clients.
brokerage	A financial institution which acts as an intermediary between its clients and the financial markets, which accepts and processes orders from its clients, which holds its clients' monies in trading accounts.
buy	To purchase a contract at a specified price, usually with the expectation that the contract's price will increase. Synonym: to go long.
chart	See *price chart*.
client	An individual with a trading account who submits orders to trade from that account.
close	The price at the end of a price bar or market session.
contract	An agreement between a buyer and seller of a financial instrument, stock, or commodity, whereby the buyer agrees to purchase at the specified price and the seller agrees to sell at that price.
custom indicator	A program which graphs and displays the results of mathematical calculations and other derivatives on MT4 charts based on price and volume information.
EA	Expert Advisor, a program which automatically executes and manages trades on the MT4 platform based on custom, specified rules.
ECN	Electronic Currency Network, a electronic network among conglomerations of banking institutions which trade foreign currency contracts.
forex	A phrase which refers to the foreign exchange market.

hedge, hedging	Balancing a position by an another position in the other direction to prevent further losses or gains by the original position.
high	The highest price attained during a price bar or market session.
indicator	See *technical indicator.*
leverage	A multiplier of the actual amount invested to yield the effective worth of contracts controlled in the market. For example, trading at 100:1 leverage means that every $1 actually invested effectively controls $100 worth of contracts in the market.
long	To buy or have the expectation that a contract's price will increase. For example, when one says, "I am long the market," he means that he expects prices to go up and has consequently bought a contract.
low	The lowest price attained during a price bar or market session.
MT4	MetaTrader 4, the fourth version of the trading platform by the company MetaQuotes.
at market	To buy or sell a contract at the current *Ask* or *Bid* prices. The term "*the market*" is often used to refer to current Ask and Bid prices.
in the market	To presently have an open trade in a financial market. "I have a long in the market," means "I have an open buy order."
market maker	A brokerage which sets the prices of a financial instrument, stock, or commodity and offers clients the opportunity to buy and sell at these prices.
open	The price at the beginning of a price bar or market session.
option	A financial derivative instrument which gives the bearer the right (but not the obligation) to purchase a contract at a specified price at a specified date in the future.
order	A request from a client to a broker to buy or sell a contract at a specified price, volume, stop loss, take profit, and other pertinent details.
pending order	An order which has a specified entry price which is not at the current market price, to be executed when the market reaches the specified entry price. Several different kinds of pending orders exist, including *stop* and *limit* pending orders. In relation to current market prices, the entry price of a *buy stop* order is above, a *sell stop* order is below, a *buy limit* order is below, and a *sell limit* order is above.
platform	A program which connects the client and brokerage, which typically provides charting functions, order interface, and trade and account summary logs.

position	Synonymous with an open order. To have a position in the market means to have an order in the market.
price	The value of a contract expressed in dollars or other unit of currency.
price action	The behavior of price as a function of time.
price bar	A graphical unit on a price chart which summarizes the open, close, high, and low of prices within a unit of time on the chart.
price candle	A graphical unit on a price chart which summarizes the open, close, high, and low of prices within a unit of time on the chart in the same spirit of a price bar, but in a slightly different style popularized by Japanese chartists. The *body* of the candle consists of the distance between the open and close, and is drawn wider for visual emphasis, as well as color-coded to visually summarize whether the close is above or below the open.
price chart	A graph displaying the historical *prices* of a contract, typically as *price bars* or *price candles* displayed on the vertical axis, as a function of *time*, typically displayed on the horizontal axis. The *timeframe* of the chart is the unit of time used to graph the prices.
price history	The historical record of price over a period of time, usually graphically displayed on a chart.
script	A program which executes a specific set of trading functions on the MT4 platform to help the trader quickly perform what otherwise might be mundane, cumbersome tasks. For example, a script may open a multiple layered set of straddle orders or close all open trades in the account.
sell	To sell a contract at a specified price, usually with the expectation that the contract's price will decrease. Synonym: to go short.
server	The computer which the brokerage uses to transmit price and receive order information to and from its clients' computers.
short	To sell or have the expectation that a contract's price will decrease. For example, when one says, "I am short the market," he means that he expects prices to go down and has consequently sold a contract.
spread	The difference in price between the *Ask* and the *Bid*, which is effectively the brokerage's commissions, what the brokerage earns as the cost of executing each trade on behalf of its clients.
stop loss	The price at which an order exits the market at a loss.
take profit	The price at which an order exits the market at a profit.
technical analysis	The mathematical and graphical study of price history and price action with the purpose of trying to accurately predict the future direction of prices.

technical indicator   A mathematical calculation based on price history which summarizes key statistical properties used in technical analysis. Popular examples of technical indicators include moving averages (MA), relative strength indicators (RSI), stochasitics, moving average convergence divergence (MACD), and commodity channel index (CCI), among many others.

trading desk   A market maker's trading desk refers to where it acts as the counterparty to its clients trades, and typically hedging them as a whole in the actual financial marekts to reduce its exposure to risk.

timeframe   The unit of time of a *price chart*. For example, if the timeframe of a chart is M15 (15 minute timeframe), then each *price bar* records the open, close, high, and low of prices in 15 minute intervals.

trading   The activity of buying and selling financial contracts for the purpose of gaining a profit or hedging.

For more information about trading, MT4 programming, custom indicators, expert advisors (EAs), please feel free to contact me at dave.j.lin@gmail.com, or visit my web page http://activeone.com/davidjlin/ .

We are based in the Chicago land area, serving the world with the finest in programming technologies.