Finance & Markets Glossary

An evolving glossary of concepts and terms encountered in quant study, interview preparation, and applied project work.

A

Active Investing *[General]*
Decisions are made about what to buy and sell in an attempt to outperform the market - relies on research, forecasts, skill - (i.e. actively managed equity funds, hedge funds)

Alpha *[General]*
Alpha measures an investment's return above what would have been expected based on it's risk - typically vs. a benchmark index (S&P 500)
Positive alpha = outperformance - Negative alpha = underperformance.

Analyst *[Invesco]*
Finance professional who researches, evaluates, and interprets financial data to support investing decisions - key tasks often include: financial modelling, valuation, forecasting, industry analysis, and reporting. - key types: equity, credit, investment banking, and research.

Asset
Assets are resources with economic value that an individual or organization owns and expects to generate future benefit - Can be Financial (e.g. Stocks, Bonds, Cash) or Real (e.g. Property, Equipment).

> **Asset - Bonds**
> Bonds are fixed-income securities where investors lend money to issuers (mainly governments and corporations) in exchange for regular interest payments and the return of principle at maturity - often used for income generation, capital preservation, and diversification.
>
> **Asset - Cash**
> Cash includes physical currency and highly liquid holdings such as bank deposits - used for transactions, liquidly management, and short-term safety - minimal risk, typically low return.
>
> **Asset - Commodities**
> Commodities are physical goods - common categories: **energy** (oil, gas), **metal** (gold, copper), **agriculture** (wheat, corn) - used for diversification, inflation hedging, and exposure to real-asset price movements (driven by supply and demand).
>
> **Asset - Cryptocurrency**
> Cryptocurrencies are digital assets secured by blockchain technology - common uses: value transfer, investment, utility within decentralized networks - typically: high-volatility, speculative, influenced by technology adoption, regulation, and market sentiment.
>
> **Asset - Equity (Shares / Stocks)**
> Equities represent ownership in a company, giving investors a claim on profits and assets -

returns come from capital appreciation and sometimes dividends - offer higher growth potential but often higher volatility than other assets.

Asset - FX Position
An FX (Foreign exchange) position represents exposure to currency movements by holding, buying, or selling one currency against another - uses: trading, hedging currency risk, or managing international cash flows - values fluctuate based on exchange rate change.

Asset - Infrastructure Asset
Infrastructure assets are large-scale, long-lived physical systems - examples: roads, airports, utilities, renewable energy projects - offer stable, inflation-linked cash flows - uses: income generation, diversification (often via private or listed infrastructure funds)

Asset - Money Market Instruments
Short-term, low risk debt instruments used for liquidity management and capital preservation - common types: Treasury bills, commercial paper, certificates of deposit - repurchase agreements - offer modest yields with high liquidity and short maturities (often $<$ 1 year).

Asset - Private Credit Position
A non-public loan or debt instrument made directly to companies, often outside traditional banks - offers high yield but lower liquidity and higher credit risk - common forms: direct lending, mezzanine debt, distressed debt, speciality finance.

Asset - Private Equity Position
A private equity position is an ownership stake in a privately held company (not publicly traded) - typically accessed through PE funds, involving buyouts, growth capital, or venture investments - aims for long-term capital appreciation - high risk, low liquidity and active value created by managers

Asset - Property (Real Estate)
Real estate assets include land and buildings (residential, commercial, or industrial) held for rental income, capital appreciation, or both - provide inflation protection, stable cash flows, and diversification - less liquid than financial assets

Asset - Treasury Bills / Notes / Bonds
U.S. Treasury securities issued by the government to fund operations - considered risk-free benchmarks - **T-Bills**: mature in 1 year or less, sold at a discount, no coupon - **T-Notes**: maturities of 2-10 years, pay semi-annual coupons - **T-Bonds**: maturities 10+ years, also pay coupons - used for safety, income, and interest-rate exposure.

Asset Class
An asset class is a grouping of investments (assets) that share similar characteristics, behave similarly in the market, and follow the same regulatory framework.

Asset Class - Alternatives
Alternatives include non-traditional investments outside stocks, bonds, and cash - includes: private (equity & credit), hedge funds, real estate, infrastructure, commodities, and crypto - offers diversification, potential higher returns, different risk driver, often lower liquidity.

Asset Class - Cash & Cash Equivalents
Highly liquid, low-risk assets used for short-term needs and capital preservation - includes: cash, bank deposits, money market funds, T-bills - also covers instruments that can be quickly converted to cash with minimal loss.

Asset Class - Commodities
A real-asset class consisting of physical goods such as energy, metals, and agricultural products - used for diversification, inflation hedging, and exposure to real-asset price movements (driven by supply and demand).

Asset Class - Credit
Sub section of "Fixed Income" - Investments in debt issued by companies or other non-government entities - returns driven by interest payments and credit spreads - includes: corporate bonds, high-yield bonds, private credit leveraged loans, and structured credit - risk depends on issuer quality, economic cycle, and default likelihood

Asset Class - Debt (Long term)
Long-maturity debt instruments (typically $>$ 1 year) - examples: corporate bonds, government bonds, structured credit - used for: income, capital preservation, interest rate exposure.

Asset Class - Debt (Short term)
Short-maturity debt instruments (typically $<$ 1 year) - examples: Treasury bills, commercial paper, certificates of deposit - used for: liquidity management, low risk, stable returns.

Asset Class - Equities
Represents ownership in publicly traded companies - returns through share price appreciation and dividends - Equities provide growth potential but come with higher volatility and sensitivity to economic and market conditions

Asset Class - Fixed Income
Broad asset class - Investments that provide regular interest payments and return of principle at maturity - includes: government bonds, corporate bonds, municipals, mortgage-backed and asset-backed securities - used for income generation, capital preservation, and portfolio stability - risks tied to interest rates and credit quality.

Asset Class - Multi-Asset
Investment strategy - combine different asset classes within one portfolio to balance risk & return (i.e. equities, bonds, alternatives, etc.) - (often linked to diversification or target-allocation funds)

Asset Class - Multi-Asset Alternatives
Portfolios that blend multiple alternative asset types such as private equity, hedge funds, private credit, real assets, and commodities into a single strategy - aims to provide diversified alternative exposure, reduced dependence on public markets, and potential for enhanced risk-adjusted returns.

Assets under management (AUM) *[Invesco]*
Defines the total market value of all assets a firm, or fund, manages on behalf of clients.

B

Balance sheets *[Invesco]*
A financial statement that shows an entity's assets, liabilities, and equity (at a specific point in time) - It summarizes what is owned, what is owed, and the net value (equity) of the business.

Bloomberg Terminal *[Invesco]*
A professional financial data and trading platform providing real-time market data, analytics, news, research, and messaging (IB) - widely used by traders, analysts, and portfolio managers for pricing, analytics, and trade execution.

Business Developer *[Ebury]*
Role focused on identifying growth opportunities, building partnerships, and expanding revenue streams - sales.

C

Capital *[Invesco]*
Financial resources (money or assets) used to fund operations, investments, or growth - includes forms such as equity, debt, and working capital - represents the financial strength available to an individual or organization.

Complex strategies *[General]*
Investment or trading approaches that use advanced techniques beyond simple buying and selling (i.e. using: derivatives, leverage, long/short positions, multiple asset classes) - core idea in hedge funds and quant strategies.

Currency (FX)
Currencies represent national or regional monetary units - used for trade, investment, and financial transactions - FX refers to Financial Exchange (the global, decentralized market for trading currencies).

> **Currency - AUD (Australian Dollar)**
> **A major**, commodity-linked currency - influences: commodity prices, interest rates, trade with Asia.
>
> **Currency - Cable**
> Nickname for GBP/USD - originates from price transmission via transatlantic cables
>
> **Currency - CAD (Canadian Dollar)**
> **A major**, commodity-linked currency – influences: oil prices, interest rates, U.S. trade flows.

Currency - CHF (Swiss Franc)
A major, safe-haven currency – influences: risk sentiment, interest rates, Swiss National Bank policy.

Currency - CNY (Chinese Yuan)
An emerging-to-major (transitioning) currency – influences: Chinese economic data, trade flows, government policy, capital controls.

Currency - Currency Pairs
Currencies always bought/sold in pairs - Currency Pairs show the value of one currency relative to another.
Majors: Pairs that include USD & a major currency - most liquid and widely traded
Crosses: Pairs that don't include USD, still two major currencies - varying liquidity
Minor: Crosses involving major currencies, but less traded - moderate liquidity
Exotics: Pairs with 1 major & 1 emerging-market currency - higher volatility and lower liquidity

Currency - EUR (Euro)
A major, global reserve currency – influences: Eurozone economic data, ECB policy, political cohesion.

Currency - Exchange Rate
Defines the price of one currency in terms of another - driven by interest rates, economic data, trade flows, market sentiment.

Currency - FX = Forex = Foreign Exchange
All mean the same thing, referring to the global market for trading currencies.

Currency - GBP (Great British Pound)
A major, global currency – influences: Bank of England policy, U.K. economic data, political developments.

Currency - JPY (Japanese Yen)
A major, safe-haven currency – influences: risk sentiment, Bank of Japan policy, interest rate differentials.

Currency - NZD (New Zealand Dollar)
A minor, commodity-linked currency – influences: dairy/commodity prices, RBNZ policy, trade with Australia and Asia.

Currency - USD (US Dollar)
A major global reserve currency – influences: Federal Reserve policy, U.S. economic data, global risk sentiment - "Dollar is King".

D

Derivative
Financial contracts whose value is based on (or 'derived from') an underlying asset - common underlying: equities (stocks), bonds, commodities, FX, indices - Main types (Derivatives): **Options, futures, forwards, swaps** - Uses: hedging, speculation, leverage, and arbitrage - often involve leverage and require risk management.

Included below are some detailed Options terms and explanations - for use in my 'Monte Carlo methods for Option Pricing' project.

Derivative - Asian Option
An option where the payoff is based on the average price of the underlying asset over a set period, not the price at expiration - reduces impact of volatility - often used for smoother, less jumpy exposure.

Derivative - Barrier Option
An option whose activation or deactivation depends on the underlying asset reaching a specified barrier level - payoff is path-dependant.
Knock-In = becomes active only if barrier is hit
Knock-Out = Ceases to exist if barrier is hit

Derivative - Basket Option
An option whose payoff is based on the combined performance of multiple underlying assets (a "basket" of assets) - commonly several stocks or currencies - uses for: diversified exposure, correlation trades, and reducing single-asset risk.

Derivative - CFD (Contract for Difference)
A CFD is a derivative contract where two parties exchange the difference in an asset's price between the trade open and close - used for leveraged trading on price movements without owning the underlying asset - common in: FX, indices, equities, and commodities

Derivative - Forward
A forward is a customized contract between two parties to buy or sell an asset at a fixed price on a future data - used for hedging and trading - commonly: FX and commodities - Not traded on exchanges (i.e. OTC (Over the Counter)).
$Forward\ price = based\ on\ spot + carry$

Derivative - Future
A future is a standardized (exchange-traded) contract to buy or sell an asset at a set price on a specified future data - used for: hedging, speculation, and prize discovery - daily mark-to-market and margin requirements.
$Future\ price = based\ on\ spot + carry$

Derivative - Greeks
Greeks measure a derivative's (Option's) sensitivity to key risk factors - they help traders understand how option prices change with movements in the underlying, time, and volatility.

Derivative - Greeks - Delta
Delta measures how much an option's price changes, for one-unit change in the underlying asset's price - 'call' options have positive delta, 'put' options have negative delta - represents directional exposure.

Derivative - Greeks - Gamma
Gamma measures how much Delta changes when the underlying asset's price moves - high Gamma means Delta adjusts quickly - high Gamma gives more sensitivity to price movements, important for managing non-linear risk.

Derivative - Greeks - Vega
Vega measures how much an option's price changes when implied volatility changes by 1 percentage point - high Vega means the option is more sensitive to volatility (especially for longer-dated options.

Derivative - Greeks - Theta
Theta measures how much an option's price decreases as time passes (called 'time decay') - options lose value as expiration approaches - Theta is usually negative for option buyers and positive for sellers

Derivative - Greeks - Rho
Rho measures how much an option's price changes with 1% change in interest rates - signifiant in long-dated options - Calls: positive Rho, Puts: negative Rho (typically).

Derivative - Lookback Option
An option where the payoff is based on the best (max or min) price of the underlying during the option's life - provides optimal entry/exit pricing, making it more valuable but also more expensive than standard options.

Derivative - Option (General)
A contract that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a set price before or at expiration - used for: hedging, income strategies, and directional bets - limited downside for the buyer - you have to pay for an option, payment is called a "premium" (stops infinite money glitch).
A call = right to buy the underlying at the strike price
A put = right to sell the underlying at the strike price
Option price = based on spot + volatility + time + rates

Derivative - Option (Style)
Option Style means how and when an option may be exercised.
European: Exercised only at expiration - standard for equity indices (some FX)
American: Can be Exercised anytime up to expiration - standard for equities
Bermudan: Can be Exercised on specific scheduled dates - midpoint style, structured + FX

Derivative - Payoff
A payoff is the value or cash flow a derivative produces at expiration or settlement - determined by underlying asset's price compared to the contract terms - (e.g. option payoff diagrams - forward/future profit/loss - swap cash flows).

Derivative - Rainbow Option
An option whose payoff depends on two or more underlying assets - often involving which performs best or worst - used for correlation trades and multi-asset exposure.

Derivative - Spread Betting
A leveraged bet on the price movement of an underlying asset - profit/loss is based on how far the price moves form the entry point - common in: FX, indices, commodities, equities - no ownership of the underlying asset (speculative, tax-efficient product in some jurisdictions).

Derivative - Swap
A swap is a contract where to parties exchange cash flows based on different financial variables - variable examples: interest rates, currencies, commodities - common types: interest rate swaps, currency swap, commodity swap - used for hedging, adjusting exposure, or obtaining better financing terms.
Swap price = based on spot & forward curve

E

Equity trader *[Invesco]*
A professional who buys and sells stocks (& equity derivatives) on behalf of clients or a firm - focused on market execution, price discovery, risk management - reacts to news, flows, and market conditions.

Execution
Execution refers to the process of placing and completing trades in financial markets - three key concepts in reference to execution: price, speed, liquidity.

Execution - Best Execution
The obligation to execute client orders on the most favourable terms (legal requirement)- considering: price, speed, cost, likelihood of execution, and overall quality.

Execution - Market Execution
An order type where the trade is executed immediately at the best available market price - prioritizes speed over price certainty - potential for slippage in fast markets

Execution - Market Impact
The price movement caused by placing or executing a trade (key with large orders) - Higher impact reduces execution quality - managed through: order slicing, timing, liquidity strategies.

Execution - Settlement
Final step of a trade where ownership and payment are exchanged between parties - occurs after trade execution - typically T+1 or T+2 (1 or 2 days after execution, depends on asset class and market)

Execution - Trade Flow
Refers to the direction and volume of buying and selling activity in a market or asset - can be used to gauge market sentiment, liquidity conditions, and short-term price pressure.

Execution - Trade
A trade is the buying or selling of a financial asset between two parties - completed through an execution venue - key elements: price, size, time, and counterparty.

Execution - VWAP (Volume Weighted Average Price)
A trading benchmark that calculates the average price of an asset, weighted by traded volume over period - used to measure execution quality and guide algorithmic trading to minimize market impact.

F

Finance Concept
General financial principles and ideas that explain how financial markets function, how decisions are made, and what drives economic and market behaviour.

Finance Concept - Macrotrends
Long-term shifts in the global economy, markets, or demographics - shaping investment conditions and strategic decisions over extended periods.

Finance Concept - Market News & Events
Information or developments that influence financial markets - examples: economic updates, corporate actions, policy changes, unexpected shocks - drives short-term sentiment and can trigger significant price movements.

Finance Concept - Speculation
The act of taking positions primarily to profit from price movements - higher risk, potentially higher returns - driven by expectation rather than fundamentals or long-term value.

Financial Advisors *[Invesco]*
A professional who guides clients on investments, financial planning, and wealth management - responsibility include: portfolio construction, retirement planning, risk management, and overall financial decision-making.

Financial Instrument
Financial Instruments are monetary **contracts** between parties - two main types: cash instruments, or derivative instruments - uses: investing, financing, risk management.

Financial Instruments are individual products, the following section groups them into instrument categories or market sectors and simply provides a 'what goes where' approach - key concepts related to financial instruments are included in this section.

Financial Instrument - Cash
Cash Instruments are short-term, highly liquid, and low risk - used for transactions, liquidity

management, and capital preservation.

Financial Instrument - Cash - Alternatives

- Art & Collectibles
- Cryptocurrency
- Private Equity
- Real Estate
- Venture Capital

Financial Instrument - Cash - Bonds (Fixed Income)

- Convertible Bonds
- Corporate Bonds
- Government Bonds
- High-Yield Bonds
- Municipal Bonds
- Floating-Rate Notes (FRNs)
- Treasury Bills (T-bills)

Financial Instrument - Cash - Cash & Money Market Instruments

- Cash / Bank Deposits
- Certificates of Deposit (CDs)
- Commercial Paper (CP)
- Money Market Funds
- Repos / Reverse Repos
- Treasury Bills (T-Bills)

Financial Instrument - Cash - Commodities

- Physical Commodities (Oil, Gold, Wheat, etc.)
- Commodity Futures
- Commodity ETFs / ETCs

Financial Instrument - Cash - Credit Products

- Asset-Backed Securities (ABS)
- Credit Default Swaps (CDS)
- Mortgage-Backed Securities (MBS)
- Mortgages
- Revolving Credit Facilities (RCF)
- Syndicated Loans

Financial Instrument - Cash - Equities

- Common Stock
- Preferred Shares

Financial Instrument - Cash - Funds & Pooled Investment Vehicles

- ETFs (Exchange-Traded Funds)
- Hedge Funds

- Mutual Funds
- Pension Funds
- Private Funds

Financial Instrument - Cash - FX Instruments

- Spot FX
- FX Forward
- FX Swap
- Currency Options

Financial Instrument - Complex

Any Instruments with non-linear, multi-factor, or hard to value structure - often requiring advanced modelling - example: exotic derivatives.

Financial Instrument - Components

Components refers to the individual parts that make up a financial instrument - such as: underlyings, coupons, maturities, payoffs, and embedded options - understanding the components helps understanding of structure, price, and behaviour.

Financial Instrument - Derivatives

Contracts whose value depends on an underlying asset - used for hedging, speculation, and leverage.

Financial Instrument - Derivatives - Options

- Call Option
- Put Option
- Exotic Options (Asian, Barrier, Lookback, Basket, Rainbow, etc.)

Financial Instrument - Derivatives - Futures & Forwards

- Futures Contracts
- Forward Contracts

Financial Instrument - Derivatives - Swaps

- Interest Rate Swap
- FX Swap
- Commodity Swap

Financial Instrument - Derivatives - Other Derivatives

- CFD (Contract for Difference)
- Spread Bet

Financial Instrument - Security

Securities is a classification, a broad umbrella term that covers tradable financial instruments that represent financial value - includes: equities (stocks), bonds, money-mark instruments, etc. - It excludes Instruments of: physical commodities, spot FX, deposits, loans, etc.

Financial Theory *[Monte Carlo Option Pricing]*
Financial Theory covers principles and models that explain how markets function, how assets are priced, and how investors make decision - related to concepts such as: risk, return, valuation, market behaviour, and portfolio construction.

Fintech *[Ebury]*
Technology-driven innovations in financial services, aiming to make financial processes faster, cheaper, and more accessible - includes: digital payments, online lending, robo-advice, blockchain, and automated trading.

Fintech Product
The services and tools that enable modern financial functionality, the following are Ebury's product suit (researched for interview preparation).

> **Fintech Product - APIs**
> Technology that integrates a company's payment & FX capabilities directly into a clients system.
>
> **Fintech Product - Cash management products**
> Digital tools that help business: store, move, and optimize cash.
>
> **Fintech Product - Currency Accounts**
> Local accounts that let clients receive & send payments in foreign markets, as if they had a local bank account.
>
> **Fintech Product - FX Hedging**
> Strategies & tools that protect baselessness from future currency volatility - FX Hedging is used to manage currency exposure & volatility.
>
> **Fintech Product - International Cash Management Solutions**
> Tools that help businesses manage cash across multiple countries and currencies - enabling efficient payments, collections, FX handling, and liquidity control globally.
>
> **Fintech Product - Mass Payments**
> A tool for sending large volumes of payments globally, in multiple currencies, in a single transaction - "simplify international cash management" - one of Ebury's slogans.
>
> **Fintech Product - Payroll Solutions**
> International payroll services enabling business to pay global employees efficiently & in local currencies.
>
> **Fintech Product - Product Suite**
> A collection of financial tools or services offered by a given company.
>
> **Fintech Product - Trade Finance**
> A revolving credit line that pays supplier invoices & extends payment terms (For Ebury, this was between 30 - 150 days) - used to inject cash at the beginning of the trade cycle.

> **Fintech Product - White-Label Solutions**
> A given company's technology, rebranded for partners who want to offer FX & payments under their own name.

Forecaster *[Ebury]*
A professional or model that predicts future economic, market, or financial outcomes using data, trends, and analytical methods.

Fund
Pooled investment vehicles that collect money from multiple investors to buy a diversified set of assets - managed by portfolio managers - linked to diversification - can be Active or Passive.

> **Fund - Active Fund**
> Any fund where managers actively select investments to try and outperform a benchmark - (equity funds, hedge funds, etc.)
>
> **Fund - ETF (Exchange-Traded Fund)**
> A fund that trades on an exchange like a stock, typically tracking an index or theme - offers low cost, liquidity, diversification, and intraday trading (day trading).
>
> **Fund - Hedge Fund**
> A privately managed fund that uses advanced (often flexible) strategies (i.e. long&short, leverage, derivatives, arbitrage) to seek absolute returns - higher risk and less regulation that traditional funds.
>
> **Fund - Local Market Fund**
> Funds that invest primarily in assets dominated by a specific country's (or region's) local currency (i.e. Invesco's joint venture into China & its Indian investment operations manage local-market funds).
>
> **Fund - Money-Market Fund**
> A low-risk fund that invests in short-term, high-quality debt instruments (T-bills, commercial paper, etc.) - used for capital preservation, liquidity, and modest yield.
>
> **Fund - Mutual Fund**
> A fund where investors buy shares and a manager invests the capital in stocks, bonds, or other assets - offers diversification, professional management, and priced once per day (NAV (Net Asset Value) price - per-share value of a fund).
>
> **Fund - Passive Fund**
> Funds that aim to track a market index rather than beat it (S&P 500 index fund, FTSE 100 ETF, etc.).

> **Fund - Target-Allocation Fund**
> Funds that maintain a specific mix of asset classes based on a pre-set allocation - automatically rebalanced to stay near target weights - (often linked to diversification and multi Asset).

Fundamental Analysis *[Invesco]*
Evaluating an asset's value by studying: financial, economic, and qualitative factors

Fundamental Equities *[Invesco]*
Equity investing based on analysing (researching) a company's financial and economic fundamentals (i.e. profits, balance sheets, & strategy) - ("Actively managed stock portfolios where managers research companies fundamentals")

Fundamental Fixed Income *[Invesco]*
Fixed Income investing based on analysing: economic conditions, issuer strength, and credit fundamentals - rather than purely quantitative signs - ("Actively managed bond portfolios: Government, corporate, or high-yield").

G

H

HoD (Head of Desk) *[Ebury]*
The senior leader responsible for overseeing a trading or business desk, acts as key decision-maker for that desk's activities - managing strategy, risk, performance, and team operations.

I

Index
A statistical measure that tracks the performance of a group of assets, usually: stocks, bonds, or commodities - (i.e S&P 500, FTSE 100, etc.) - used as benchmarks for funds and portfolio performance (passive funds aim to replicate index returns).

> **Index - AEX (Amsterdam Exchange Index)**
> The Dutch stock market index, tracking the 25 largest companies listed in Euronext Amsterdam - benchmark for the Netherlands' equity market - important due to tech-exposure - (contains ASML, a key semiconductor supplier).
>
> **Index - CAC 40**
> The French stock market index, tracking the 40 largest companies listen on Euronext Paris - benchmark for the French equity market - reflects Europe's luxury & consumer strength.

Index - DAX (DAX performance-index)
Germany's primary stock index, tracking the 40 largest (& most liquid) companies listen on the Frankfurt Stock Exchange - core benchmark for the German equity market - considered an industrial powerhouse.

Index - Euro Stoxx 50
A leading Eurozone blue-chip index, tracking 50 major companies from across euro-area countries - benchmark for Eurozone equity performance - mix of all European indices - treated as the "European S&P 500".

Index - FTSE 100
UK, tracks the 100 largest companies listed on the London Stock Exchange - the main benchmark for the UK equity market - heavy in Energy, Banks, consumer goods.

Index - FTSE MIB
Italy's main stock index, tracking the 40 largest (&most liquid) companies on the Borsa Italiana - benchmark for the Italian equity market - Banking & Industry focused.

Index - IBEX 35
Spain's benchmark stock index, tracking the 35 most liquid companies listen on the Madrid Stock Exchange - a key indicator of the Spanish equity market - Bank & Utility heavy.

Index - NASDAQ (Composite & 100)
Tech-heavy Index (Apple, Microsoft, Nvidia, Amazon, etc.)
NASDAQ Composite: A U.S. broad index tracking thousands of companies listen on the Nasdaq exchange, heavily weighted towards technology and growth stocks.
NASDAQ-100: A U.S. large-cap index of the 100 biggest non-financial companies listed on the Nasdaq, strongly tech-focused - widely used as a growth/tech benchmark

Index - S&P 500
(The Standard and Poor's 500) - A major U.S. equity index, tracking 500 large-cap companies across all sectors - considered one of the best indicators of overall U.S. stock market performance - global benchmark for equity markets.

Index strategies *[Invesco]*
Investment approaches that aim to replicate, track, or systematically exploit the performance of a market index - includes: index tracking, factor investing, and rules-based strategies.

Indicator
Metrics or signals used to evaluate market conditions, economic trends, or asset performance - help investors interpret data and make informed financial decisions.

Indicator - EMA (Exponential Moving Average)
A moving average that gives more weight to recent prices, making it more responsive to new information - useful for short-term trading signals - reduces lag & reacts faster to price changes than compared to SMA.

Indicator - Moving Average (General)
Indicators that smooth out price data by averaging past prices over a set period - common types: Simple (SMA) and exponential (EMA) - can help identify trends by reducing noise - longer averages = smoother but slower signals.

Indicator - RSI (Relative Strength Index)
A momentum indicator that measures overbought or oversold conditions by comparing recent gains and losses - typically: >70 = overbought, <30 = oversold.

Indicator - SMA (Simple Moving Average)
A moving average calculated by taking the arithmetic mean of prices over a chosen period - all prices have equal weighting - common periods: 20,50,200-day - often used to identify trend direction.

Indicator - Volatility (General)
A measure of how much an asset's price fluctuates over time - Higher volatility = larger, more frequent price swings; lower volatility = more stable prices - used to assess risk and market uncertainty.

Institutional trader *[Babypips - FX]*
A professional who executers trades on behalf of large organizations such as asset managers, banks, hedge funds, or pension funds - Focused on efficient execution, market impact management, handling large order sizes, etc.

Institutions *[Invesco]*
Large financial entities such as banks, asset managers, hedge funds, pension funds, insurers, sovereign wealth funds, etc. - they influence markets through large-scale investing, trading, and capital allocation.

Investing *[Invesco]*
Allocating money into assets with the expectation of generating returns over time - common assets: stocks, bonds, funds, etc. - balancing risk and return - active or passive

Investing - Factor investing *[Invesco]*
Investing approach that targets specific characteristics ("factors") that historically explain differences in asset returns - common factors of: value, momentum, size, quality, volatility - evidence based & widely used in quant and institutional investing.

Investing - Quant Investing *[Invesco]*
Investing approach that uses mathematical models, data analysis, and algorithms to make decisions instead of relying on human judgement - statistics, patterns, factor models - used in hedge funds, quant firms, multi-asset strategies - requires strong data, modelling, and risk management.

Investor
An investor is an individual or entity that allocates capital with the expectation of generating a financial return - includes a wide range of market participants with different objectives, resources, and strategies.

Investor - Institutional Investor
A large organization that invests substitutional capital on behalf of clients or beneficences (e.g. pension funds, asset mangers, insurers, and endowments) - known for scale, sophistication, and long-term focus.

Investor - Market Practitioner
A professional actively involved in trading, investing, or market operations (e.g. traders, portfolio managers, analysts, and strategists) - characterized by specialised knowledge and active market engagement.

Investor - Retail Investor
An individual investing personal funds in markets through brokers or platforms - typically smaller in scale, with simple strategies and shorter-term goals compared to institutions.

Investor - Retail Trader
An individual who actively buys and sells financial instruments using personal funds, often with short-term of speculative strategies - differs form retail investors by being more trade-focused and execution-driven.

J

K

KAD (Key account Director) *[Ebury]*
A senior commercial role responsible for managing and growing relationships with major clients, overseeing strategy, revenue, and service delivery across key accounts.

L

long & Short *[General]*
Long = Buying an asset with the expectation that it's price will rise
Short = Selling an asset you don't own (borrowing it) to profit if the price falls
(Long is standard position in traditional investing, Short is common in hedge funds and trading strategies)

M

Market Structure
Describes how financial markets are organised - this section focuses on terminology related to market structure in a broader sense.

Market Structure - Bid / Ask
Covers how financial markets are organised and operate - including: participants, trading venues, pricing mechanisms, and relationships that determine how trades occur.

Market Structure - Broker
An intermediary that executes trades on behalf of clients, accessing markets and liquidity providers - brokers do not take market risk, they route orders and charge commissions or spreads.

Market Structure - Broker Relationships
The professional connections between traders/investors and their brokers, strong relationships can improve pricing, responsiveness, and market access.

Market Structure - Counterparty
The other party in a financial transaction, taking the opposite side of the trade - counterparty quality affects credit risk, pricing, and execution reliability.

Market Structure - Dark Pool
A private trading venue where orders are not publicly displayed, allowing participants (often institutions) to trade large sizes with reduced market impact - offers anonymity but typically less transparency and liquidity than lit markets.

Market Structure - Dealer
A market participant that trades on its own balance sheet, quoting bid and ask prices and taking on market risk - dealers provide liquidity and act as principal rather than agent.

Market Structure - Interbank Market
A network where banks trade currencies, money markets, and other instruments directly with each other - forms the core of global liquidity, setting benchmark prices and spreads for many markets.

Market Structure - Lit Market
A public trading venue where orders and prices are fully visible to all participants - provides transparency, price discovery, and higher liquidity - forms the core of open market trading.

Market Structure - Market Liquidity
The ease with which an asset can be bought or sold without significantly affecting its price - high liquidity means tight spreads, deep order books, and fast execution; low liquidity means wider spreads and greater price impact.

Market Structure - Market Sentiment
The overall mood or attitude of investors, driving how markets behave - optimistic (risk-on) or pessimistic (risk-off).

Market Structure - Order Book
A real-time list of buy and sell orders at different price levels on a trading venue - shows market depth, liquidity, and where trades are likely to occur.

Market Structure - OTC (Over the Counter)
Trading that occurs directly between counterparties, rather than on an exchange - offers flexibility and customisation, but will less transparency and typically higher counterparty risk than exchange trading.

Market Structure - Price Discovery
The process by which market prices are determined through the interaction of buyers and sellers - reflects: supply, demand, information, and market sentiment.

Market Structure - Public Exchange
A regulated trading venue where financial instruments are listed and traded openly (transparent prices and centralised order books) - supports: fair access, liquidity, and standardised rules for all participants.

Market Structure - Spread (Bid–Ask Spread)
The difference between the highest price a buyer is willing to pay (bid) and the lowest price a seller will accept (ask) - reflects liquidity, trading costs, and market conditions.

N

O

P

Path-Dependent Features *[General]*
Characteristics of a financial instrument where payoff depends on the asset's price path, not just its final value - common in Barrier options, Asian options, and Lookback options.

Passive Investing *[General]*
An investment approach that aims to replicate a market index rather than outperform it - focuses on low cost, broad diversification, and long-term market exposure.

Portfolio Concept
Principles that explain how portfolios are constructed, managed, and optimised - used to guide investment decisions and long-term strategy.

Portfolio Concept - Diversification
Spreading investments across different assets to reduce overall risk (a form of hedging) - improves stability without necessarily lowering expected return.

Portfolio Concept - Multi-Asset
A portfolio approach that combines multiple asset classes (e.g. equities, bonds, commodities) to achieve balanced risk and return - enhances diversification and adaptability to market conditions.

Portfolio Concept - Portfolio
A collection of investments held together to achieve specific financial goals - managed based on risk, return, allocation, and time horizon.

Portfolio Concept - Risk & Return
The fundamental relationship where higher potential returns generally require taking on more risk - portfolio design balances the return goal with the risk level the investor can tolerate.

Portfolio Concept - Target Weights
The intended percentage allocation to each asset or asset class in a portfolio - used to guide portfolio construction, rebalancing, and risk control.

Portfolio Managers *[Invesco]*
Professionals responsible for constructing, monitoring, and adjusting investment portfolios to meet specific objections - they make decisions on asset allocation, security selection, risk management, and performance evaluation.

Q

Quant Method
Quantitative methods are mathematical and statistical techniques used to model, price, and analyse financial instruments - they support tasks like derivative valuation, risk measurement, simulation, optimisation, and decision-making under uncertainty.

Quant Method - Backward Induction Approach
A pricing method that works from the end of a contract back to the start, valuing each step using future payoffs and discounting - commonly used in binomial trees and models involving early exercise.

Quant Method - Binomial Tree (Lattice Model)
A step-by-step pricing model where the underlying asset's price moves up or down at each node over time - used to value options and derivatives (especially when modelling early exercise or path-dependent features).

Quant Method - Black Scholes P.D.E
A differential equation that describes how the price of an option evolves with respect to the underlying asset's price, time, and volatility - solving it under standard assumptions yields the Black-Scholes option pricing formula.

Quant Method - Early Exercise
The ability to exercise an option before its expiration date - important for valuing American-style options, where optimal exercise decisions affect pricing and require models like binomial trees or LSMC.

Quant Method - Input
A required parameter or assumption used in a quantitative model (i.e. volatility, interest rates, time steps, or asset price) - model accuracy depends on the quality and realism of its inputs.

Quant Method - LSMC (Least-Squares Monte Carlo)
A simulation-based method for valuing options with early exercise features - uses Monte Carlo paths and regression to estimate the optimal exercise strategy and resulting option value.

Quant Method - Lattice Model (General)
A discrete-time framework that models how an asset's price can move step-by-step through a branching structure - used to value derivatives (especially when capturing path dependency, early exercise, or changing parameters).

Quant Method - Monte Carlo Simulation
A modelling technique that uses randomly generated price paths to estimate the value of risk of financial instruments (generate many possible paths, then average) - effective for complex, path-dependent derivatives and scenarios with many uncertain variables.

Quant Method - Real Option Analysis
A valuation approach that applies option-pricing techniques to real-world investment decisions - used to assess choices involving flexibility, uncertainty, and timing (e.g. by expanding, delaying, or abandoning projects).

R

Risk *[Invesco, Monte Carlo Option Pricing]*
The possibility that an investment or decision will deviate from expected outcomes, possibly resulting in loss - can arise form market movements, uncertainty, unforeseen events, etc. - central concept to all financial decision-making.

Risk Concept
Foundational ideas that explain different types of financial risk, how they arise, and how they affect: portfolios, instruments, and market behaviour.

Risk Concept - Credit Quality
A measure of a borrower's ability to repay debt (reflected in credit ratings or financial strength) - lower credit quality means higher default risk and typically higher yields.

Risk Concept - Interest-Rate
The cost of borrowing money - influences: asset prices, discounting, and economic activity - changes in interest rates affect bond values, currencies, and overall market conditions.

Risk Concept - Interest-Rate Risk
The risk that movements in interest rates will cause an asset's value or cash flows to change - most impactful for fixed-income investments (rising rates generally lower prices).

> **Risk Concept - Leverage**
> Using borrowed money or financial instruments to increase the size of an investment position - amplifies both gains and losses - commonly used in hedge funds, derivatives, and trading strategies.
>
> **Risk Concept - Linear risk**
> Risk that changes proportionally with movements in the underlying asset - typical of forwards, futures, and cash positions (gains/losses move in a linear relationship to price changes).
>
> **Risk Concept - Non-Linear risk**
> Risk where changes in value do not more proportionally with the underlying asset - typical in options and structured products (factors like Gamma, Vega, and Time Decay create curved payoff profiles).
>
> **Risk Concept - Risk Factors**
> The underlying variables that drive change in asset prices and portfolio performance (i.e. interest rates, credit spreads, volatility, inflation, etc.) - used to understand and manage where risk is coming from.
>
> **Risk Concept - Risk-Free Rate**
> The theoretical return of on an investment with no default risk, typically proxied by short-term government securities - serves as the baseline for valuing assets, discounting cash flows, and assessing required returns.
>
> **Risk Concept - Sources**
> The underlying origins of financial risk, explaining why and where risk arises in a portfolio or investment - examples: market movements, interest rates, credit conditions, liquidity, leverage, and operational or external events.
>
> **Risk Concept - Standard Deviation**
> A statistical measure of how much returns fluctuate around their average - a higher standard deviation means greater volatility (often interpreted as a higher risk).

Risk Management *[General]*
The process of identifying, measuring, and managing financial risks to protect portfolios and ensure stability - involves using tools to control potential losses, like: hedging, diversification, limits, monitoring, etc.

S

Sales Executive *[Ebury]*
A professional responsible for selling financial products or services, managing client relationships, and generating revenue.

Signal
Rules or indicators that trigger a buy or sell decision in a trading or investing strategy - can be based on: price, volume, trends, stats patterns, etc. - used in systematic/quant strategies to remove emotion - examples below.

> **Signal - Breakout**
> Triggered when price moves above resistance or below support - used in: Trend-following, CTA, systematic macro.
>
> **Signal - Crossovers (Moving Average Crossovers)**
> Signals generated when the short-term moving average crosses above or below a long-term one - used in: Trend, momentum, medium-term models.
>
> **Signal - Mean Reversion**
> Indicates price is far from its average and may revert toward it - used in: Stat-arb, pairs trading, quant equity.
>
> **Signal - Momentum**
> Based on assets that have been rising, continuing to rise, falling, or continuing to fall - used in: Factor investing, trend, cross-asset quant.
>
> **Signal - Overbought/Oversold (Oscillator Signals)**
> Triggered when indicators like RSI show extreme price conditions - used in: mean reversion, technical systems.
>
> **Signal - Trend-Following**
> Determined by consistent movement in one direction over time - used in Micro/macro trend, CTA, systematic funds.
>
> **Signal - Volatility Breakout**
> Triggered when price moves beyond a volatility-adjusted range (e.g. ATR breakout) - used in: Trend filters, breakout systems, risk-adjusted entries.
>
> **Signal - Volume-Based**
> Uses unusually high or low trading volume to indicate the strength or weakness of a move - used in: Momentum confirmation, breakout validation.
>
> **Signal - Z-Score**
> Measures how far a price or spread is from its statistical mean - used in: Stat-arb, pairs, mean reversion.

Spot Contract *[Ebury]*
An agreement to buy or sell an asset for immediate delivery at the current market price (the spot price) - common in FX, commodities, and some securities - typically T+2 or T+1.

Statistical Concept
Core statistical ideas used to analyse data, model uncertainty, and interpret relationships between variables in finance.

Statistical Concept - Alpha (Drift Term)
The average rate of change or expected growth of a variable over time in a Stochastic Process - represents the trend component in models like geometric Brownian motion (random movement of particles).

Statistical Concept - Bivariate Distribution Test
A technique used to assess how two variables jointly behave, examining whether their combined outcomes follow a particular distribution - helps analyse dependence, correlation, and structural relationships between variables.

Statistical Concept - Changing Distributions
The idea that a variable's statistical properties (mean, variance, shape, etc.) can shift over time - important in finance as markets often exhibit non-stationary behaviour, requiring models that adapt to evolving conditions.

Statistical Concept - Compounded Uncertainties
The combined effect of multiple sources of uncertainty interacting over time, often amplifying total risk - common in models where volatility, interest rates, or other variables evolve simultaneously.

Statistical Concept - Joint Probability Distribution
A function describing the likelihood of two or more variables taking specific values at the same time - shows how variables co-move, enabling analysis of dependence, correlation, and combined outcomes.

Statistical Concept - Multivariable Distribution
A probability distribution describing three or more variables simultaneously, capturing how they interact and co-vary - used to analyse complex dependence structures and model joint behaviours in financial systems.

Statistical Concept - Standard Deviation (Statistical Measure)
A measure of how spread out data points are around their mean - higher standard deviation indicates greater variability (often interpenetrated as higher uncertainty or dispersion).

Statistical Concept - Stochastic Processes
Models describing variables that evolve randomly over time, influenced by probabilistic rules - used in finance to represent asset prices, interest rates, volatility, and other uncertain dynamics.

Statistical Concept - Stochastic Processes – Jumps
Refers to models where a variable can make sudden, discontinuous moves rather than changing smoothly - captures shock events, gaps, and abrupt price changes often seen in real financial markets.

Statistical Concept - Stochastic Processes – Mean Reversion
A process where the variable drifts back toward a long-term average rather than drifting freely - used to model interest rates, volatility, and commodities (where prices tend to sta-

bilise around equilibrium levels).

Statistical Concept - Stochastic Variables
Variables whose values are determined by randomness, varying according to probabilistic rules - they for the basis of stochastic models (outcomes vary across different paths or scenarios.)

T

Trades *[Invesco]*
Transactions involving the buying or selling of financial instruments between parties - defined by key elements such as price, size, timings, and counterparty..

Trading Strategy
Methods or approaches to enter, manage, and exit positions with the goal of achieving specific financial outcomes - strategies vary by objective, risk profile, time horizon, and market behaviour.

Trading Strategy - Arbitrage
Profiting from price differences of the same or related assets across markets - low risk in theory - requires fast execution - common in quant, high-frequency, and market-making strategies.

Trading Strategy - Delta Hedging
Adjusting a position to offset changes in option value caused by movements in the underlying asset - keeps position "delta neutral" - requires frequent rebalancing - used in options trading and risk management.

Trading Strategy - Delta Neutral
A strategy that adjusts positions so the overall delta = 0, meaning the portfolio is insensitive to small price movements in the underlying asset - often achieved using options and hedging adjustments

Trading Strategy - Factor Investing
An approach that targets specific characteristics ("factors") that historically drive returns across assets - common factors: value, momentum, size, quality, low volatility - heavy usages in quant equity & multi-asset strategies - seeks long-term, repeatable sources of return rather than stock-picking.

Trading Strategy - Hedging
A strategy used to reduce or offset risk by taking positions that move in the opposite direction of an existing exposure - commonly achieved through derivatives, opposite asset positions, or diversification (protect against adverse price movements)

Trading Strategy - High-Frequency
Ultra-fast, automated trading strategies that exploit very short-term price movements - relies on speed, low-latency systems, and co-location - holds positions for seconds or milliseconds - extremely technology and infrastructure intensive.

Trading Strategy - Mean reversion
Strategy based on the idea that prices eventually move back towards their historical average - looks for overbought or oversold conditions - assumes deviations from the mean are temporary - common in statistical arbitrage.

Trading Strategy - Momentum
A strategy that buys assets that are rising and sells those that are falling - based on trend persistence - can work across multiple asset classes - widely used in quant and factor investing.

Trading Strategy - Pairs Trading
A market-neutral strategy that trades two historically correlated assets, betting that their price relationship will return to normal - buy undervalued asset, short overvalued one - profits from the spread converging, not market direction - core technique within statistical arbitrage.

Trading Strategy - Stat-Arb
A quantitative, market-neutral strategy that exploits statistical relationships or pricing inefficiencies between related assets - often involves large portfolios of long & short positions - uses: statistics, probability, and modelling to identify mispricing - profits from mean reversion, correlation, or spread convergence - core strategy for many quant equity and hedge fund teams - requires strong risk management and robust back-testing.

Trading Strategy - Systematic Trend-following
Trading in the direction of a prevailing market trend over medium to long time frames - "The trend is your friend" principle - often built on moving averages or breakout signals - used by CTAs and systematic macro funds.

Trading Strategy - Volatility Arbitrage
A strategy that exploits differences between implied volatility (from option prices) and realised volatility (actual market movements) - profits by buying or selling options when volatility is mispriced - market direction is irrelevant, volatility is the focus - needs strong risk management as volatility can change suddenly - used by: quant funds, options desks, and market makers.

U

Underlying
The asset on which a derivative's value is based - examples below - movements in the underlying drive the price of the derivative - all derivatives reference an underlying asset.

Underlying - Bonds
Derivatives tied to government or corporate bonds - sensitive to interest rates and credit risk - used in fixed-income trading and hedging - (Examples: bond futures, interest-rate options).

Underlying - Commodities
Derivatives based on physical goods: oil, gold, wheat, etc. - common in futures markets - prices influenced by: supply, demand, geopolitics, etc.

Underlying - Driving Asset
The primary asset that determines the value of a derivative or structured product - its price movements drive the payoff, valuation, and risk of the linked instrument.

Underlying - FX (Foreign Exchange)
Derivatives based on currency pairs - includes: FX forwards, options, swaps - affected by: interest rates, macro events, relative currency strength, etc. - used for hedging or trading currency exposure.

Underlying - Indices
Stock or market indices used as reference assets for derivatives, funds, or structured products - their performance determines the payoff of the linked instrument.

Underlying - Stocks
Derivatives based on individual company shares - common for equity options and equity futures - priced relative to the stock's movements - used for hedging or speculating on a company's performance.

V

W

X

Y

Z