

# Glossary - B [ChartSchool]

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# Glossary - B

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## Back Testing

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A strategy that is optimized on historical data, then applied to current data to see if the results are similar. Rarely done properly and usually resorts to a form of curve fitting.

## Bar Chart

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A popular way to display and analyze financial price information in graphical form. The horizontal axis of a bar chart represents the passage of time with the most recent time periods on the right side while the vertical axis represents the stock's price.

## Barron's Confidence Index

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A weekly index prepared by the publishers of Barrons. The index compares yields of higher grade to lower grade corporate bonds. As yields on lower grade bonds fall, it shows that investors are more confident about the economy. Used for an insight into possible market sentiment about equity securities.

## Basing

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A period where the stock or market is “catching its breath” after a decline, characterized by a flat trading range without any noticeable trend. It is common to see a basing period after a lengthy decline of the stock price. Basing may be a sign of accumulation.

## Basis

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The difference between cash prices and the futures contract prices.

## Bear

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A person who believes prices will decline and might be described as having a “bearish” outlook. Bear markets occur when roughly 80% of all stocks decline for an extended period of time. 1973-74 and 1981-82 have been referred to as bear markets.

## Bear Market

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A long period of time when prices in the market are generally declining. It is often measured by a percentage decline of more than 20%.

## Bear Spread

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An option strategy with maximum profit when the price of the underlying securities decline. In futures, short the nearby future and long the deferred in anticipation of a decline in the general level of prices.

## Bear Trap

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A situation that occurs when prices break below a significant level and generate a sell signal, but then reverse course and negate the sell signal, thus “trapping” the bears that acted on the signal with losses. A bear trap is another form of whipsaw and relates to the spring.

## Bearish Divergence

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A situation when price records a higher high and the indicator forms a lower high. The indicator does not confirm the higher high in prices and this could foreshadow a reversal. Divergences are most common with momentum oscillators.

## Below the Market

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A limit order to buy or sell a security for a specific price that is lower than the current market price. If the market does not reach these prices, the order will go unfilled.

## Beta

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A measure of a security's systematic or market risk. While most stocks move in the same direction as the stock market, the level of the beta indicates the degree of correlation between a security and the market. The market is the benchmark and has a beta of 1.

## Bid

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The price at which the market maker guarantees to fill a sell order. A sell order placed at the market will usually be filled at the current bid price. The bid price is usually less than the ask price.

## Black Box

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A proprietary computerized trading system whose rules are not disclosed or readily accessible.

## Block

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A purchase or sale of a large number of shares or dollar value of bonds. Although the term is relative, 10,000 or more shares, or any quantity worth over \$200,000, is generally considered a block.

## Blowoff

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See Reversal Spike.

## Blue Chip Stock

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A well-known public company that is thought to be in good financial shape and have sound fundamentals (profitability, earnings). An investment in a blue chip is regarded as a safe investment. Examples include Wal-Mart, Coca-Cola, and General Electric.

## Bond Price

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Not to be confused with bond yield, it is the amount an investor pays to buy a bond. Bond prices and interest rates have an inverse relationship: when rates rise, bond prices fall; when rates decline, bond prices rise.

## Bond Yield

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The *return* an investor would earn if a bond was purchased and held to maturity. Usually, the longer the term of a bond, the higher the interest rate that's paid to the holder, compensating for the inflation risk of having money tied up for a long time. To determine the yield, divide the interest rate by the purchase price of the bond.

## Box Size

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In Point & Figure charts, it is the price value of one "X" or "O". An X is shown when prices rise by the box size, and an O is shown when prices fall by the box size. Increasing the box size filters smaller price movements.

## Breadth

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A comparison of the number of issues traded with the number of issues listed for trading. A measurement of the number of issues advancing versus the number of issues declining on a given day or as a moving average. Many measurements are used: advances divided by declines, as a percentage, advances minus declines as a net positive or negative number. The measurement consistently followed is an insight into investor sentiment and is used extensively by market analysts.

## Breadth Thrust

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Martin Zweig developed this momentum indicator that illustrates a "thrust" when, during a 10 day period, the average number of issues that are advancing goes from below 40% to above 61.5%. This means the market went from being oversold to one of strength, but is not yet considered overbought.

## Breakaway Gap

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A price gap that forms on the completion of an important price pattern. A breakaway gap usually signals the beginning of an important price move.

## Breakout

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Price of a security emerging from a previous trading pattern. The new price "breaks out" above the high (or below the low) trading pattern lines that enclose all other prices for that security in the preceding period. Breakouts are used by technical analysts to predict substantial upside or downside movement.

## Bull

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A person who believes prices will advance and might be described as having a "bullish" outlook. Bull markets occur when roughly 80% of all stocks advance over an extended period of time. 1982-87 and 1995-99 have been referred to as bull markets.

## Bull Bear Ratio

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The Investor's Intelligence market sentiment indicator which shows the relationship between bullish and bearish advisors. It is interpreted as a contrary indicator, meaning that if it reflects extreme bullishness, the market is probably at a top.

## Bull Market

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A long period of time when prices in the market are generally increasing.

## Bull Trap

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A situation that occurs when prices break above a significant level and generate a buy signal, but suddenly reverse course and negate the buy signal, thus “trapping” the bulls that acted on the signal with losses. A bull trap is another form of whipsaw and relates to the upthrust.

## Bullish Divergence

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A situation when price records a lower low and the indicator forms a higher low. The indicator does not confirm the lower low in prices and this could foreshadow a reversal. Divergences are most common with momentum oscillators.

## Bullish Percent Index (BPI)

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A popular market breadth indicator that is calculated by dividing the number of stocks in a given group (an exchange, an industry, etc.) that are currently trading with Point and Figure buy signals, by the total number of stocks in that group. BPI can be used to determine overbought/oversold conditions and can generate buy/sell signals. It is important to note that the Bullish Percent Index is not something that can be applied to a single stock but rather an index that is calculated for a group of stocks. See ChartSchool article on Bullish Percent Index (BPI).

## Bump and Run Reversal

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A reversal chart pattern that forms after excessive speculation drives prices up too far, too fast. It is designed to identify speculative advances that are unsustainable for a long period. See ChartSchool article on Bump and Run Reversal.

## Buy Signal

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A condition that indicates a good time to buy a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using. For example, it's considered a buy signal when the MACD crosses above its signal line.

## Buy Stop

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A buy order usually placed above the current price, ensuring that a security would have to trade at the set level before the buy order would be activated. at 35. By placing a buy stop order just above resistance, a trader can ensure that the security will break resistance

before going long. On the other hand, traders looking to catch a bottom or intraday low might place a buy stop below the current price, but near support.

## Buyback

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A company's repurchase of its own shares of stock.

## Buying Climax

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A sudden upward movement in the market value of a security characterized by a gap in the prices between one trading session and the next. Used by technical analysts and often considered an indication that a security has been overbought and the price will fall.

## Buying on Margin

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A risky short-term strategy where a buyer borrows money from a broker to make an investment. The buyer believes the stock price will rise and is trying to maximize profits by investing more money in the stock.