Glossary - P [ChartSchool]

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Paper Trade

A hypothetical trade that does not involve any monetary transactions. Paper trading is a risk-free way to learn the ropes of the market.

Parabolic SAR

An indicator that sets trailing price stops for long or short positions. Also referred to as the "stop-and-reversal indicator", Parabolic SAR is more popular for setting stops than for establishing direction or trend. If the trend is up, buy when the indicator moves below the price. If the trend is down, sell when the indicator moves above the price. See ChartSchool article on Parabolic SAR.

Pennant

A continuation chart pattern that is similar to the flag, except that it is more horizontal and resembles a small symmetrical triangle. Like the flag, the pennant usually lasts from one to three weeks and is typically followed by a resumption of the prior trend. See ChartSchool article on Flag, Pennant (Continuation).

Penny Stock

A stock that usually sells for less than $1 per share, though the price may rise because of significant promotion. Penny stocks are very speculative and risky due to their lack of available information and poor liquidity.

Percent Investment Advisors Bullish

A measure of stock market bullish sentiment that is published weekly by Investor's Intelligence. When only 35% of professionals are bullish, the market is considered oversold. A reading of 55% is considered to be overbought.

Percentage Price Oscillator (PPO)

An indicator based on the difference between two moving averages expressed as a percentage. The PPO is found by subtracting the longer moving average from the shorter moving average and then dividing the difference by the longer moving average. See ChartSchool article on Percentage Price Oscillator (PPO).

Percentage Volume Oscillator (PVO)

The percentage difference between two moving averages of volume expressed as a percentage. The PVO is found by subtracting the longer volume moving average from the shorter volume moving average and then dividing the difference by the longer moving average. See ChartSchool article on Percentage Volume Oscillator (PVO).

PHLX

The Philadelphia Stock Exchange. Even though the PHLX was taken over by the Nasdaq, the Nasdaq website still shows a separate listing for the PHLX with over 2600 index, equity and sector-index options traded every day.

Piercing Line

A bullish two-day reversal pattern. The first day, in a downtrend, is a long black day. The next day opens at a new low, then closes above the midpoint of the body of the first day.

Pivot Point

The point at which <u>resistance</u> disintegrates and the stock price begins to rise past the prior resistance level. This point can be considered the optimal time to buy as the bulls are gaining strength.

Point & Figure Buy Signal

P&F Buy and Sell signals are very simple patterns that should be confirmed before placing a trade. The P&F Buy signal is used when calculating the various Bullish Percent indices. When the last signal on the chart was a buy signal, that is, the last breakout was a column of Xs going higher than the previous column of Xs and no sell signal (no column of Os breaking below the previous column of Os) has happened since the buy signal.

Point & Figure Chart

A type of chart consisting of columns of X's (showing price rises) and O's (showing price falls) arranged on a square grid. When the index increases, a rising column of black X's is created – a rally. When the index falls, a descending column of red O's appears – a decline. See ChartSchool article on <u>Point & Figure Charts</u>.

Point & Figure Price Objective

The price that a stock should reach based on recent P&F chart signals. See <u>Price Objective</u> below.

Point & Figure Sell Signal

P&F Buy and Sell signals are very simple patterns that should be confirmed before placing a trade. When the last signal on the chart was a sell signal, that is, the last breakout was a column of Os going lower than the previous column of Os and no buy signal (no column of Xs breaking above the previous column of Xs) has happened since the sell signal.

Position Trading

A style of trading characterized by holding open positions for an extended period of time. Contrast this with <u>day trading</u>, where a trader buys, then sells out of a position before the market closes that day.

Positive Directional Indicator (+DI)

When the ADX Indicator is selected, SharpCharts plots the Positive Directional Indicator (+DI), Negative Directional Indicator (-DI): and Average Directional Index (ADX). With the black, green and red color scheme on SharpCharts, +DI is the green line that measures the force of the up moves. The default setting is 14 periods.

Positive Reversal

Developed by Andrew Cardwell, a positive reversal occurs when RSI forms a lower low and the security forms a higher low. It is a backward bullish divergence. See ChartSchool article on Relative Strength Index (RSI).

PPO

See Percentage Price Oscillator.

Precious Metals Commodities Index ($GPX)

The Precious Metals Commodities Index ($GPX) charted by StockCharts.com is published by Goldman Sachs. Gold, platinum, and silver are the listed metals.

Presidential Cycle

A four-year cycle that shows the last two years of a President's term outperforming the first two years.

Price By Volume

A horizontal histogram that overlays a price chart. The histogram bars stretch from left to right starting at the left side of the chart. The length of each bar is determined by the cumulative total of all volume bars for the periods during which the closing price fell within the vertical range of the histogram bar. See ChartSchool article on Price By Volume.

Price Channels

Similar to Bollinger Bands, price channels form boundaries above and below the price line and can be used as indicators of volatility. Price channels are created by specifying a number of periods that will chart an n-period high or low around the price line. See ChartSchool article on Price Channels.

Price Momentum Oscillator (PMO)

A proprietary indicator created by Carl Swenlin and featured on the StockCharts.com website. See ChartSchool article on the the PMO indicator.

Price Objective (P&F)

Very simple calculations based on standard Point & Figure chart patterns. They are of questionable value but we include them on our charts because they have been used for such a long time. StockCharts.com makes no claim about their accuracy or usefulness

whatsoever. For more on how they are calculated, see ChartSchool article on Point and Figure Price Objectives.

Price Oscillator (PO)

An indicator based on the difference between two moving averages that is expressed as either a percentage or in absolute terms. The abbreviation PPO refers to the Percentage Price Oscillator, and APO refers to the Absolute Price Oscillator. See ChartSchool article on Price Oscillators.

Price Patterns

Patterns that appear on price charts possessing predictive values. Patterns are divided into reversal and continuation patterns. See ChartSchool articles on Chart Patterns.

Price Relative

An indicator that compares the performance of one security against that of another by plotting the two as a ratio. For example, Google can be compared to the S&P 500 with a ratio of the prices (Google/S&P 500). Google is outperforming when the ratio rises and underperforming when the ratio falls. See ChartSchool article on Price Relative.

Price/Earnings Ratio

The P/E ratio is figured by dividing the price of a stock by the company earnings per share. For example, a stock selling at $50, with earnings at $5 per share for the previous year, has a P/E ratio of 10 (50/5 = 10). This value is also called the multiple.

Proxy

A security or index whose correlation with another security or index is so strong that it is used as a substitute for the other. For example, General Electric has a very high correlation to the performance of the S&P 500. As GE goes, so goes the S&P 500. Therefore, GE can be used as a proxy for the S&P 500.

Put Option

The right to sell a stock or commodity future at a given price before a given date. The owner of the put option is speculating that the price of the stock will go down and is therefore bearish.

Put/Call Ratio

Based on CBOE statistics (http://www.cboe.com/), the Put/Call Ratio equals the total number of puts divided by the total number of calls. When more puts are traded than calls, the ratio will exceed 1. As an indicator, the Put/Call Ratio is used to measure market sentiment. When the ratio gets too low, it indicates that call volume is high relative to put volume and the market may be overly bullish or complacent. When the ratio gets too high, it indicates that put volume is high relative to call volume and the market may be overly bearish or in panic. StockCharts.com charts the Put/Call ratio under the symbol $CPC.