



INSTRUCTUS
MARKETS

An Introduction to Capital Markets Terminology

navigating the financial world

Biographies



Graham Smith

- Joined Dillon Read in 1996 before moving to Salomon Brothers as a Scandinavian and French Trader.
- Started the TMT sector pitch at Salomon Smith Barney (later Citigroup).
- Promoted to MD age 30, running Pan-European and UK Mid Cap cash trading, Graham centralised risk and trading in London for all of Citigroup's Regional European headquarters.
- Responsible for managing 48 traders at Citi, developed a metrics of performance and remuneration system for P&L and risk.
- Graham was part of the block trading committee who priced all corporate and institutional blocks in conjunction with the ECM department, Graham then co-ordinated the sale and placing to the client base.
- Managed Client relationships for the trading team, introducing a detailed metrics to ensure the traders dealt directly with the customer base.
- Global Head of Trading and Sales at Unicredit, was responsible for the overall risk of the cash equity business. A team of 55 sales traders and traders globally
- Graham is now Senior Portfolio Manager for the \$250m Trafalgar Capital Global trading fund, Graham runs the Pan-European arm and is responsible for the business in Europe.



Giles Johnston

- Joined the City 25 years ago at NatWest Markets, trading UK Small and Mid Caps as a market maker and principal position taker.
- Moving to Deutsche Bank Giles became head market maker for the technology sector and was involved in numerous IPO's trading the green-shoe. Giles was responsible for trading proprietary positions during this highly volatile environment and managing the overall risk of the pitch.
- At Citigroup Giles managed a team of 6 traders with responsibility for the Oil, Gas, Utilities, Pharmaceutical, Chemicals, Metal and Mining sectors. Giles was involved with the pricing of institutional blocks and their subsequent distribution, maintaining a close working relationship with the client base. Giles regularly spoke at the Investor relations University and was promoted to Managing Director in 2006
- Giles moved to Unicredit to become Head of Large Cap Trading in Europe, where he was responsible for trading the Energy sector and implementing the re-location of trading from Europe to London.

An A-Z of Terminology explained

ADR

American Depositary Receipt

Arbitrage

The process where a gap between two market makers prices is exploited by buying from one while simultaneously selling to the other to lock in a profit.

Ask

The quoted offer at which someone can buy; also called the offer

Auction

The process of competitive or open bidding at exchanges for a particular financial product where the price is not set by negotiation.

Auto Sales (US)

Important to the US economy, shows consumer confidence

Backwardation

A market condition where futures price is trading lower than the expected spot price at contract maturity.

Balance of Payments

Accounting record of all monetary transactions between a country and the rest of the world

Balance of Trade

Largest component of the balance of payments

Base rate

Interest rate set by central bank to lend other banks.

Bear market

A market distinguished by declining prices.

Bid price

The price at which a stock, index or commodity can be sold.

Bid-ask price

The difference between what buyers are willing to pay and what sellers are asking for in terms of price

Blue chip stock

Stock of a financially sound company that has demonstrated its ability to pay dividends in both good and bad times.

An A-Z of Terminology explained

Bond

A certificate of debt issued by a government or corporation that guarantees payment of the original investment plus interest by a specified future date.

Broker ratings

Buy, sell or hold recommendations or ratings given to individual company stocks by securities analysts, depending on how the stock will perform in the short or long-term.

BUND

Long term (10 year) German Government Bond.

Bull market

A market distinguished by rising prices.

Business Inventories and Sales

Total output produced but remaining unsold of the GDP

Cable

Sterling/US dollar exchange rate. Derived from the fact that GBP/USD exchange rate was transmitted via transatlantic cable laid under Atlantic Ocean in 1858.

Capital gains tax

A tax on investment profits. Spread betting winnings are free of any UK Capital Gains Tax under current laws

Cash price

The price of an asset for immediate delivery. In other words, the actual price of an instrument right now; this term is often used for stock indices, whereas the synonymous term of 'spot' is more often applied to forex and commodity prices.

CBI Survey

Monthly business confidence, output sales, prices , inventories, export and import

Chicago PMI (Purchasing Managers Index)

Largest national survey

Commodity

A basic good used in commerce which is usually uniform across producers and can be traded on an exchange. Soft commodities are goods that are grown, such as coffee and sugar, while hard commodities are extracted through mining, such as gold and coal.

Consumer Price Index (CPI)

Measure of inflation, higher the CPI = higher inflation

An A-Z of Terminology explained

Corporate action

means any event initiated by a corporation which impacts its shareholders. Examples include stock splits, consolidations, mergers and spinoffs.

Derivatives

Financial contracts, such as futures and options, whose value is derived from an underlying asset, rate or index.

Dividend

That part of a company's after-tax earnings that is distributed to shareholders. Dividends are paid at the company's discretion. They may be distributed as cash or by scrip dividend.

Dow Jones industrial index

The benchmark US stock market index that tracks the performance of a selection of thirty US blue-chip stocks.

Durable Goods Orders

Large ticket items such as machinery and plant equipment. Transportation and military orders

ECB (European Central Bank)

Central Bank for the euro zone and decides on interest rates

Ex-dividend

A share bought without the right to receive the next dividend which is retained by the seller.

Existing Home Sales

Number and value of old homes sold, measure of consumer confidence and spending power

Expiration/expiry date

The date that a spread bet expires.

Fair value

This is the theoretical price at which a futures contract should trade when compared to the cash or spot price.

FOMC (Federal Open Market Committee)

Body that sets interest rates and credit policy

FSA

Financial Services Authority. The governing body that regulates the financial services industry including spread betting.

An A-Z of Terminology explained

FTSE

Financial Times Stock Exchange. These firms are jointly responsible for the compilation and maintenance of the main stock indices reflecting the performance of the UK's top shares.

FTSE 100

The index that highlights the performance of the UK's top 100 companies, as ranked by their market capitalisation. We refer to this as UK100 in our literature.

FTSE ALL SHARE

An index covering about 800 shares representing 98% of UK market value. There are indices for business sub-sectors as well.

FTSE MID 250

The index of the next 250 companies, after the top 100.

FTSE 350

The index of the top 350 companies by market capitalisation. It is a combination of the FTSE 100 and FTSE 250 stocks.

Futures

A financial contract obligating the buyer/seller to purchase/sell an asset such as a physical commodity or a financial instrument, at a predetermined future date and price.

GDP (Gross Domestic Product)

Measure of market activity, value of goods and services produced by an economy.

Gearing

The relationship between potential profit or loss and the initial outlay. A position with high gearing or leverage stands to make or lose a large amount from a small initial outlay.

Gilts

UK Government Bonds. So called because the certificates were originally gilt edged.

Good For the Day (GFD)

An order, which if not filled, expires at close of business on the day it is received

Good Till Cancelled (GTC)

An order that will be carried forward indefinitely until it is either filled or cancelled by you.

Good Till Date

An order, which if not filled, expires at close of business on a date specified by you.

An A-Z of Terminology explained

Hedging

A strategy to reduce the risk of an open position.

Housing Starts and Building Permits

Number of new family homes and building that were constructed, strength of the economy

IFO

German leading survey for business conditions

Index

A statistical indicator that represents the total value of the stocks that constitute it e.g. the FTSE or the Dow Jones. It often serves as a barometer for a given market or industry and acts as a benchmark from which financial or economic performance is measured.

Illiquid Market

A market in which it is difficult to sell or buy due to lack of interested buyers/sellers.

Initial Jobless Claims

Weekly change in number of claims to unemployment benefit

Interbank rates

Foreign Exchange rates at which large international banks quote other large international banks.

Interim dividends

A company's distribution of profits to shareholders halfway through the financial year.

Interim report

All companies quoted on the London stock exchange must release an interim report after the first 6 months of their financial year. It tends to concentrate on profitability, and may be used to justify an interim dividend.

IPO

Initial Public Offering. The offering of shares making their market debut.

ISM (Institute of Supply Management)

Leading survey of US manufacturing activity, 50 and above indicates expansion

Leverage or gearing

Leverage or gearing allows traders to gain a large exposure with a relatively small outlay.

An A-Z of Terminology explained

Limit order

An order to buy or sell a product when it hits a certain price. A limit order is placed when you want to place a trade at a better price than the current quote. *Limit orders can be filled at better levels than expected. This can occur when markets do not move smoothly. They "gap" from one price to another at times and your limit order will be filled at the next available price to ETX Capital.*

Margin

The amount required from a client - in addition to any deposit due - to cover losses when a price moves adversely.

Market hours

Hours during which a market can be traded with ETX Capital.

Market feed

means the automated live streaming prices of the underlying markets from their respective exchanges.

Market order

A financial contract which is executed at the current available market price.

Michigan Consumer Sentiment Index

Survey carried out by Michigan University at a national level

Mid-Price

The price derived by the average of bid and ask rate.

MPC (UK Monetary Policy Committee)

Body that sets interest rates

NASDAQ

The National Association of Securities Dealers' Automated Quotations System is an electronic stock exchange based in New York listing many leading high-tech companies.

New Home Sales

National data for new home sales, prices and number of sales

Non Farm Payrolls

Number of new jobs created

Offer price

The price at which a stock, index or commodity can be bought.

Opening level

Means the price or market level at which a position was initiated.

An A-Z of Terminology explained

Open position

Trades that are currently running within a portfolio.

Options

Financial derivative instrument that gives the contractual right, but not obligation, to buy (a call) or sell (a put) an investment at a specified price within a set period of time.

Personal Consumption

Amount spent on goods or services in a given month

Philly Fed Survey of Manufacturers

Philadelphia, New Jersey and Delaware

PPI (Producer Price Index)

Good measure of inflation

Purchasing Managers Index

Business confidence survey

Resistance

A term used in technical analysis indicating a price level at which analysis suggests a predominance of selling and hence a greater likelihood that the price will fail to break through the level.

Retail Sales

The percentage change month on month

Rights issue

A privilege allowing existing shareholders to buy shares shortly before they are offered to the public at a specified and usually discounted price and usually in proportion to the number of shares already owned. Such corporate actions mean that ETX Capital will adjust any position accordingly.

Scrip dividend

A scrip dividend is a scrip or bonus issue of shares made at no charge to shareholders in proportion to their holdings in lieu of a cash dividend.

SETS

Stock Electronic Trading Service. The order driven system used to trade FTSE 100, ex-FTSE 100 and reserve shares.

An A-Z of Terminology explained

Settlement price

The last traded price for a financial contract on any trading day.

Shares

Shares represent ownership of part of a company. They are also known as equities.

Shorting

Refers to selling an asset that you do not own with the aim of buying it back cheaper at a later date. In spread betting, it refers to placing a 'down bet' or a trade in anticipation of a falling market.

Spread

The difference between our Buy and Sell price.

Stop loss

A pre-determined level at which you would like to close your bet to limit your loss if the price moves against you.

Stop order

Stops are orders to sell below, or buy above, the current price. Stop orders can be used to close or open a new position if the price breaks through a perceived support/resistance level.

Support level

A technique used in technical analysis to indicate a price floor at which you would expect the price to 'bounce' off. Opposite of this is resistance.

Tic

Or 'pip' or 'point', means the smallest possible movement (up or down) in the price of a contract.

Underlying market

The market upon which the derivative market price is dependent.

Volatility

A statistical measure of a market's price movements over time.

Watch list

A list of markets selected for surveillance.

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