## Trading Terminology

Bid Price where one is willing to buy.

**Offer** Price where one is willing to sell.

**Spread** The difference between the offer and the bid.

**Example**A market is 10 bid and 12 offer (10 at 12); 10 is the buying level and 12 is the selling level. The spread is 2.

When you sell in the market it means that you sell the bid.

Please think about this as it can be confusing.

When you buy in the market it means that you buy the offer.
Please think about this as it can be confusing.

The actual price at which the product settles (see the example in the end).

Anything that you buy from a neutral starting position leads to a long position.

Anything that you sell from a neutral starting position leads to a short position.

The right (option) to buy, not an obligation, an underlying at a predetermined price before the option expires.

The right (option) to sell, not an obligation, an underlying at a predetermined price before the option expires.

An investment or trade to reduce your existing exposure to risk.

The strike price is the level at which an option can be exercised and the price at which the option can be bought or sold.

An option that has intrinsic value. In a call option this means that the strike price is lower than where the underlying is trading.

An option without intrinsic value. In a call option this means that the strike price is higher than where the underlying is trading.

## Sell

Buy

Settlement

Long

**Short** 

Call

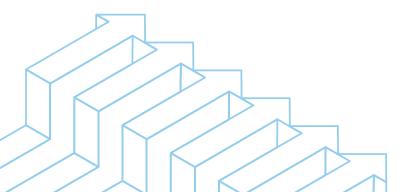
Put

Hedge

Strike price

In the money

Out of the money





## **Market Making Explanation**

