Wall Street Jargon Cheat Sheet

“The Street”: Wall Street in New York City forms the center of its financial district; NYSE, NASDAQ, and American Stock Exchange, among others, are headquartered on Wall Street.

**Asset**: Resource with economic value that a corporation owns or controls with the expectation that it will provide a future benefit; Assets are reported on a company’s balance sheet and are bought or created to increase a firm’s value or benefit the firm’s operations.

- **Asset Allocation** is an investment strategy that aims to balance risk and reward by apportioning a portfolio’s assets according to an individual’s goals, risk tolerance, and investment horizon. The three main asset classes – equities, fixed-income, and cash and equivalents – have different levels of risk and return.

**Bond**: Fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental); Used by companies, states, and governments to finance projects and operations.

**Book Building**: Process by which an underwriter attempts to determine the price at which an initial public offering (IPO) will be offered.

- An underwriter, normally an investment bank, builds a book by inviting institutional investors (such as fund managers and others) to submit bids for the number of shares and the price(s) they would be willing to pay for them.

**Book Value**: of an investment is the price paid for a security or debt investment. When a company sells stock, the selling price minus the book value is the capital gain or loss from the investment.

**Broker**: Individual or firm that acts as an intermediary between an investor and a securities exchange; Buy and sell financial instruments on the behalf of a client and charges a fee for doing so.

**Bull and Bear Markets**:  
- A **Bull Market** is a market that is on the rise and where the economy is sound.  
  (Tip: A bull charges “up” with horns.)  
- A **Bear Market** exists in an economy that is receding, where most stocks are declining in value.  
  (Tip: A bear charges “down” with paws.)

**Buying Size**: occurs when a trader offers to buy a large volume of shares
Buy-Side/Sell-Side:
- **Buy-Side** is the side of the financial market that buys and invests large portions of securities for the purpose of money or fund management; Includes investment managers, pension funds, and hedge funds.
- **Sell-Side** is the other side of the financial market, which deals with the creation, promotion, and selling of traded securities to the public; Includes investment banks, advisory firms, and corporations.

Capital Gains/ Capital Loss:
- **Capital Gain** is the profit one earns on the sale of an asset like stocks, bonds or real estate; Capital gain is the result when the selling price of an asset exceeds its purchase price.
- **Capital Loss** is the loss that is incurred when the investment is sold; Capital loss is the result when the selling price of an asset is less than its purchase price.

Cash out: occurs when a firm runs out of cash and cannot readily sell marketable securities to raise cash; Firm must resort to borrowing.

Crowding Out: occurs when higher government spending fails to increase overall aggregate demand because higher government spending causes an equivalent fall in private sector spending and investment; Suggests rising public sector spending drives down private sector spending.

Dow Jones Index: Stock market index that measures the stock performance of 30 large companies listed on stock exchanges in the United States.

Equity: Represents the shareholders’ stake in a company, identified on a company’s balance sheet; The calculation of equity is a company’s total assets minus its total liabilities.

Escrow: Financial arrangement where a third party holds and regulates payment of the funds required for two parties involved in a given transaction; Helps make transactions more secure by keeping the payment in a secure escrow account which is only released when all of the terms of an agreement are met as overseen by the escrow company.

Fallen angel: A bond that was initially given an investment-grade rating but has since been reduced to junk bond status; Downgrade is caused by a deterioration in the financial condition of the issuer.

FICO Score: Credit score created by the Fair Isaac Corporation (FICO); Lenders use borrowers’ FICO scores along with other details on borrowers’ credit reports to assess credit risk and determine whether to extend credit.

Financial Industry Regulatory Authority (FINRA): Independent, nongovernmental organization that writes and enforces the rules governing registered brokers and broker-dealer firms in the United States; Both firms and individuals must be registered with FINRA to conduct securities transactions and business with the investing public.
- To become registered, securities professionals are required to pass qualification exams to demonstrate competence in their particular securities activities
**Hedge:** Investment position intended to offset potential losses or gains that may be incurred by a companion investment.
- **Hedging** against investment risk means strategically using financial instruments or market strategies to offset the risk of any adverse price movements.

**Hunting Elephants:** Practice of targeting large companies or customers to sell a good or service, as well as targeting large companies for acquisition.

**Leverage/Levering Up:** To increase the portion of debt in a firm’s capital structure by issuing debt and using the proceeds to repurchase stock or by financing any new expansion through debt; Refers to the amount of debt a firm uses to finance assets.

**Liabilities:** Contractual obligations to pay cash or deliver other financial assets to other entities as a result of past transactions.
- Examples of Financial Liabilities include amounts payable for received goods or services, loans and interest, received prepayments for financial assets on sale.

**Liquidity:** refers to how easily a company’s assets can be converted into cash.
- Assets like stocks and bonds are very liquid since they can be converted to cash within days; Large assets such as property, plant, and equipment are not as easily converted to cash.

**Loan:** Credit type in which a sum of money is lent to another party in exchange for future repayment of the value or principal amount; Lender typically also adds interest and/or finance charges to the principal value which the borrower must repay in addition to the principal balance.

**Long/Short Squeeze:**
- **Long Squeeze** occurs when a sudden drop in price of a stock or other asset incites further selling, pressuring long holders of the stock into selling their shares to protect against a dramatic loss.
- **Short Squeeze** occurs when a stock or other asset jumps sharply higher, forcing traders who had bet that its price would fall, to buy it in order to forestall even greater losses; A short squeeze accelerates a stock’s price rise as short-sellers bail out to cut their losses.

**Nasdaq:** Stock market index that measures the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange; Nasdaq is also an exchange where investors can buy and sell stocks.

**Net worth:** Value of the assets a person or corporation owns, minus the liabilities they owe
- **Net worth** is an important metric to gauge a company’s health, providing a useful snapshot of its current financial position.

**Passive/Active Management:**
- **Passive Management** is an investing strategy that tracks a market-weighted index or portfolio; Strategy of an investment fund of following a benchmark index to replicate the performance of the index or the broader market.
- **Active Management** is a portfolio management strategy where the manager makes specific investments with the goal of outperforming an investment benchmark index or target return; Focused on outperforming the market.
**Real Estate Investment Trust (REIT):** Companies that own, operate or finance income-producing real estate across a range of property sectors; Stockholders of a REIT earn a share of the income produced through real estate investment – without actually having to go out and buy, manage or finance property.

**Rebalancing:** Process of realigning the weightings of a portfolio of assets; Involves periodically buying or selling assets in a portfolio to maintain an original or desired level of asset allocation or risk.

**S&P 500:** Stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States; One of the most commonly followed equity indices.

**Securities and Exchange Commission (SEC):** Independent federal regulatory agency tasked with protecting investors and capital, overseeing the stock market and proposing and enforcing federal securities laws.

**Short Interest:** Number of shares that have been sold short but have not yet been covered or closed out; Indicates the overall attitude of investors toward a particular security or financial market.
  - An increase in short interest signals that investors have become more bearish, while a decrease in short interest signals they have become more bullish.

**Stock:** A single share of stock is a security that represents fractional ownership of the corporation in proportion to the total number of shares.
  - This entitles the owner of the stock to a proportion of the corporation’s assets and profits equal to how much stock they own.
  - Stocks are bought and sold predominantly on stock exchanges and are the foundation of many individual investors’ portfolios.

**Upside/Downside:**
  - **Upside** refers to the potential increase in value, measured in monetary or percentage terms, of an investment.
  - **Downside** describes the negative movement of an economy, or the price of a security, sector, or market.
  - The **Upside/Downside ratio** is a market breadth indicator that shows the relationship between the volumes of advancing and declining issues on an exchange; Investors typically use the indicator to determine the momentum of the market at any given time.

**Valuation:** Analytical process of determining the current (or projected) worth of an asset or a company; Analysts placing value on a company look at the business’s management, the composition of its capital structure, the prospect of future earnings, and the market values of its assets.

**Vesting:** Process by which an employee with a qualified retirement plan and/or stock option becomes entitled to the benefits of ownership, even if he/she no longer works at the company.

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