

## Glossary of Stock Market Terminology

Operations in Stock Exchanges have very specific terminology that is different from other financial institutions.

### Bear

An investor who anticipates a falling market and, therefore, sells the security in the hope of buying it back at a lower price.

### Blue Chip

A large well-established company with a history of profitable operation.

### Bonds

Fixed-income securities, which entitle the holder to a pre-determined return during their life and repayment of principal at maturity.

### Bull

An investor who anticipates a rising market and, therefore, buys the security in the hope of selling it later at a higher price.

### Capital Gains Tax

Tax payable on profit arising from appreciation in value of investment, realized at the time of selling or maturity of investment.

### Dividend

That part of a company's profits which is distributed among shareholders, usually expressed in rupee per share or percentage to paid up capital.

### Earnings per share (EPS)

A profitability indicator calculated by dividing the earnings available to common stockholders during a period by the average number of shares actually outstanding at the end of that period.

### Equity

The owners' interest in a company's capital, usually referred to by ordinary shares.

### Floation

The occasion when a company's shares are offered on the stock market for the first time.

### Fund managers

A company, which invests and manages investors' money, with the aim of maximizing capital growth.

### Initial Public Offering (IPO)

The offering of equity shares of a company to the general public for the first time.

### Insider trading

The purchase or sale of shares by someone who possesses 'inside' information on a company's performance which information has not been made available to the market and which might affect the share price. In Pakistan, such deals are a criminal offence.

### Investment companies

A company, which issues shares and uses its capital to buy securities and shares in other companies.

### Listed company

A company whose securities are admitted for listing on a stock exchange.

### Long position -

When an individual purchases securities of a company he is said to have a long position in the company's shares. For example an owner of shares in PTCL is said to be "long PTCL" or "has a long position in PTCL." If you are long, you would like the share price to go up.

### Market capitalization

The total value of a company's equity capital at the current market price.

### Nominee

A person or company holding securities on behalf of others, but who is not the owner of such securities.

### Option

The right (but not the obligation) to buy or sell securities at a fixed price within a specified period.

## Ordinary shares

The most common form of shares, which entitle the owners to jointly own the company. Holders may receive dividends depending on profitability of the company and recommendation of directors.

## Portfolio

A collection of investments is called portfolio. Portfolio is maintained to diversify the risk.

## Price/Earning ratio (P/E ratio)

The P/E ratio is a measure of the level of confidence (rightly or wrongly) investors has in a company. It is calculated by dividing the current share price by the last published earnings per share.

## Primary market

Where a company issues new shares, either for the first time, or at the time of issuing additional securities.

## Privatization

Conversion of a state-owned company to a public limited company (plc) status.

## Private company

A company that is not a public company and which is not allowed to offer its shares to the general public.

## Public limited company (plc)

A company whose shares are offered to the general public and traded freely on the open market and whose share capital is not less than a statutory minimum.

## Rights Issue

The issue of additional shares to existing shareholders when companies want to raise more capital.

## Securities

A broad term for shares, corporate bonds or any other form of paper investment in capital market instruments.

### Settlement

Once a deal has been made, the settlement process transfers stock from seller to buyer and arranges the corresponding exchange of money between buyer and seller.

### Short Selling

The act of borrowing stock to sell with the expectation of price reduction with the intention of buying it back at a cheaper price.

### Stockbroker

A member of the stock exchange who deals in shares for clients and advises on investment decisions.

### Stock Market

The market place where shares of publicly listed companies are bought and sold.

### Unit trust

An open-ended mutual fund that invests funds in securities and issues units for sale to the public. It can repurchase these units at any time.

### Yield

The aggregate return earned on an investment taking into account the dividend/interest income and its present capital value.