

# Roytrin

## Investment Update



## Stock Market Lingo

November 2017

Investing in the stock market may seem overwhelming and confusing because of the use of stock market lingo. As such, we have put together this handy guide that covers the most important stock market terms that every investor should know and understand.

- **Bull Market vs. Bear Market:** A bull market is characterized by a prolonged period of rising prices and optimism. The opposite of a bull market is a bear market, which is a prolonged period of falling prices and pessimism. The use of "bull" and "bear" to describe markets comes from the way the animals attack their opponents. A **bull** thrusts its horns up into the air, while a **bear** swipes its paws downward.
- **Market Rally:** A market rally is a period of sustained increases in the prices of stocks, bonds or indices. This type of price movement can happen during either a bull or a bear market.
- **Market Correction:** A market correction is a temporary price decline that interrupts an upward trend in the stock market or a particular stock. A market correction adjusts for an overvaluation. It has a shorter duration than a bear market or a recession, but it can be a precursor to either.
- **Market Crash:** A market crash is a period when investors are selling their stocks rapidly due to fear that a bear market is coming. Because everyone sells off their stocks quickly, prices drop quickly, causing a "crash".
- **Market Index:** A stock index or stock market index is a measurement of the value of a section of the stock market. Market indices are intended to represent an entire stock market and thus track the market's changes over time.

- **Dividend:** A dividend is a portion of a company's earnings that is paid to shareholders on a quarterly, semi-annual or annual basis. Not all companies pay dividends.
- **Blue Chip Stocks:** These are the large, industry leading companies which offer a stable record of significant dividend payments and have a reputation of sound fiscal management. The expression was derived from blue gambling chips, which is the highest denomination of chips used in casinos.
- **Initial Public Offering (IPO):** A company's first issue of its shares to the general public.
- **Market Capitalisation:** The market value of a company's outstanding shares.
- **Liquidity:** Liquidity refers to how easily a security can be bought or sold in the market.
- **Volatility:** A statistical measure of how quickly a stock price moves up and down over time.
- **Averaging Down:** Buying more of a security at a price that is lower than the price paid for the initial investment. The aim of averaging down is to reduce the average cost per unit of the investment.

## Share your thoughts

We welcome your feedback and comments on the topics covered in our updates via the e-mail below. If you have any topics you would like us to cover, or just want to drop us a line or comment, you can do so at [RIU@rbc.com](mailto:RIU@rbc.com)

### Disclaimer

This information has been provided by RBC Royal Bank (Trinidad & Tobago) Limited ('RBC') and is for informational purposes only. It is not intended to provide legal, accounting, tax, investment, financial or other advice and such information should not be relied upon for providing such advice. RBC takes reasonable steps to provide up-to-date, accurate and reliable information, and believes the information to be so when printed. RBC also reserves the right at any time and without notice to change, amend or cease publication of this information.

Any investment and economic outlook information contained in this report has been compiled by RBC from various sources. Information obtained from third parties is believed to be reliable, but no representation or warranty, express or implied, is

made by RBC, its affiliates or any other person as to its accuracy, completeness or correctness. RBC and its affiliates assume no responsibility for any errors or omissions.

The contents of this article should not be considered an offer to sell to, or a solicitation to buy mutual fund units from, any person in Trinidad & Tobago where such offer or solicitation is considered unlawful. Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments.

Please consult your financial advisor for more details and read the prospectus of any mutual fund before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or incomes taxes payable by any unitholder that would have reduced returns.