**A**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying Class A shares.

**AAII**

See: [American Association of Individual Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_association_of_individual_investors)

**ABO**

See: [Accumulated Benefit Obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulated_benefit_obligation)

**ABS**

See: [Automated Bond System](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_bond_system)

**ACAT**

See: [Automated Customer Account Transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_customer_account_transfer)

**ACES**

See: [Advance Computerized Execution System](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aces)

**ACH**

See: [Automated Clearing House](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_clearing_house)

**ACRS**

See: [Accelerated cost recovery system](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accelerated_cost_recovery)

**ACU**

See: [Asian currency units](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asian_currency_units)

**AD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ANDORRA.

**ADB**

See: [Adjusted Debit Balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_debit_balance)

**ADB**

See: [Asian Development Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asian_development_bank)

**ADR**

See: [American Depositary Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts)

**ADS**

See: [American Depositary Share](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_share)

**AE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UNITED ARAB EMIRATES.

**AED** >

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for United Arab Emirates Dirham.

**AEX**

See: [Amsterdam Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amsterdam_exchange)

**AFA**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Afghan Afghani.

**AF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for AFGHANISTAN.

**AFM**

See: [Amman Financial Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amman_financial_market)

**AG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ANTIGUA AND BARBUDAAG.

**AI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ANGUILLAAI.

**AIBD**

Association of International Bond Dealers

**AL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ALBANIA.

**ALL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Albanian Lek.

**ALT**

Alternative Trading System. This term is defined under section 301 of the U.S. [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) Act.

**AM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ARMENIA.

**AMD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Armenian Dram.

**AMEX**

See: [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange)

**AMPS**

See: [Auction Market Preferred Stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amps)

**AN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NETHERLANDS ANTILLES.

**ANG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Netherlands Antilles Guilder.

**AO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ANGOLA.

**AON**

See: [All or none order](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order)

**AOR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Angolan Reajustado Kwanza.

**AOS**

See: [Automated Order System](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_order_system)

**APR**

See: [Annual Percentage Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate)

**APT**

See: [Arbitrage Pricing Theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory)

**APT**

See: [Automated Pit Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_pit_trading)

**APV**

See: [Adjusted Present Value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_present_value)

**APY**

See: [Annual Percentage Yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_yield)

**AR**

See: [Auto-Regressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auto_regressive_process)

**ARCH**

See: [Auto-Regressive Conditional Heteroskedasticity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auto_regressive_conditional_heteroscedasticity)

**AQ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ANTARCTICA.

**AR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ARGENTINA.

**ARS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Argentinian Peso.

**ARM**

See: [Adjustable-rate mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_mortgage)

**ARPS**

See: [Adjustable-rate preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_preferred_stock)

**ARPS**

See: [Auction rate preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auction_rate_preferred_stock)

**ARR**

See: [Average rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_rate_of_return)

**AS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for AMERICAN SAMOA.

**ASE**

See: [Athens Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ase).

**ASX**

See: [Australian Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#australian_stock_exchange)

**AT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for AUSTRIA.

**ATP**

See: [Arbitrage Trading Program](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#atp)

**ATS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Austrian Schilling.

**AU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for AUSTRALIA.

**AUD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Australian Dollar currency.

**AW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ARUBA.

**AWG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Aruban Guilder.

**AZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for AZERBAIJAN.

**AZM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Azerbaijani Manat.

**AAA+ Bank**

Refers to banks that are rated AAA by IBCA, Moodys Investor Service and Standard & Poors.

**Abandonment**

[Controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) party giving up rights to property voluntarily.

**Abandonment option**

The [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of terminating an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) earlier than originally planned.

**ABC agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) between an employee and a brokerage firm outlining the rights of the firm purchasing an [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) membership for that employee.

**Ability to pay**

Refers to the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) ability to make [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments on [debts.](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) See: [Fixed charge coverage ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_charge_coverage_ratio).   
In context of [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), refers to the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) present and future ability to create sufficient tax revenue to fulfill its contractual [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), accounting for municipal income and property values.   
In context of taxation, notion that tax rates should be determined according to income or wealth.

**Abnormal returns**

The component of the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that is not due to [systematic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic) influences ([market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market)-wide influences). In other words, the abnormal returns is the difference between the actual return and that is expected to result from market movements (normal return). Related: [excess returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns).

**Above par**

See: [Par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par).

**Absolute advantage**

A person, [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or country has an absolute advantage if its output per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of input of all goods and services produced is higher than that of another person, company or country.

**Absolute form of purchasing power parity**

A theory that prices of products of two different countries should be equal when measured by a common [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). Also called the "[law of one price](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#law_of_one_price)."

**Absolute Physical Life**

The period of use after which an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) has deteriorated to such an extent that it can no longer be used.

**Absolute priority**

Rule in [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) proceedings requiring senior [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) to be paid in full before junior creditors receive any payment.

**Absorbed**

Used in context of general equities. [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) are "absorbed" as long as there are [corresponding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell. The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has reached the absorption point when further assimilation is impossible without an adjustment in price. See: [Sell the book.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_the_book)

**Abusive tax shelter**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) that the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) judges to be claiming [tax deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) illegally.

**Accelerated cost recovery system (ACRS)**

Schedule of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) rates allowed for tax purposes.

**Acceleration clause**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) stating that the unpaid balance becomes due and payable if specific actions transpire, such as failure to make [interests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments on time.

**Accelerated depreciation**

Any [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) method that produces larger [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) for depreciation in the early years of an [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) life. [Accelerated cost recovery system (ACRS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accelerated_cost_recovery), which is a depreciation schedule allowed for tax purposes, is one such example.

**Acceptance**

Contractual agreement instigated when the drawee of a [time draft](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_draft) "accepts" the [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) by writing the word "accepted" thereon. The drawee assumes responsibility as the acceptor and for payment at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). See: [Letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) and [banker's acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance).

**Accommodative monetary policy**

[Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) policy to increase the amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) available to banks for [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend). See: [Monetary policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy).

**Account**

In the context of bookkeeping, refers to the ledger pages upon which various [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), income, and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) are represented.

In the context of [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank), refers to the status of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold and owned or the relationship between parties to an [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate). In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), the relationship between a client and a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) allowing the firm's employee to be the client's [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent). See: [Account executive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account_executive); [account statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account_statement).

**Account Ad Valorem Duty**

An imported merchandise tax expressed as a percentage.

**Account balance**

[Credits](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) debits at the end of a [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) period.

**Account executive**

The brokerage firm employee who handles [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for clients. See: [Broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Account Party**

Party who applies to open a bank for the issuance of a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit).

**Account reconciliation**

The reviewing and adjusting of the balance in a personal checkbook to match your bank statement.

**Account statement**

In the context of banking, refers to a summary of all balances.

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), a summary of all [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) and [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) ([long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) and [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short)) between a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and a client. See also: [Option agreement](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_agreement).

**Accountant's opinion**

A signed statement from an independent [public accountant](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certified_public_accountant) after examination of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) records and accounts. The opinion may be unqualified or qualified. See: [Qualified opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_opinion).

**Accounting earnings**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) of a firm as [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) on its [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement).

**Accounting exposure**

The change in the value of a firm's [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency)-[denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) accounts due to a change in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Accounting insolvency**

Total [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) exceed total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). A firm with a negative [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) is [insolvent](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent) on the [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book).

**Accounting liquidity**

The ease and quickness with which [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) can be converted to [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Accounts payable**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) owed to suppliers.

**Accounts receivable**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) owed by customers.

**Accounts receivable financing**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) method in which [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) are [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) advances. See: [Factoring](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factoring).

**Accounts receivable turnover**

The ratio of [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable), which is a measure of how quickly customers pay their bills.

**Accredited investor**

Refers to an individual whose [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth), or joint net worth with a spouse, exceeds $1,000,000; or whose individual income exceeded $200,000 or whose joint income with a spouse exceeded $300,000 in each of the 2 most recent years and can be expected to meet that income in the current year. More details of the definitions for [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) other that individuals are found in [Regulation D](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_d) of the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission).

**Accreting Swap)**

An interest rate [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) in which the notional principal amount increases over time, for example as with a construction loan provided in tranches as each stage of the project is completed.

**Accretion (of a discount)**

In portfolio accounting, a straight-line accumulation of [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) on a [discount bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_bond) in [anticipation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anticipation) of receipt of [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Accrual Accounting Convention**

An accounting system that tries to match the recognition of revenues earned with the [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) incurred in generating those revenues. It ignores the timing of the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) associated with revenues and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**Accrual basis**

In the context of accounting, practice in which [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) and income are accounted for as they are earned or incurred, whether or not they have been received or paid. Antithesis of [cash basis accounting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_basis).

**Accrual bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on which [interest accrues](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) but is not paid to the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) during the time of accrual. The amount of [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) is added to the remaining [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) of the bond and is paid at [maturity.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)

**Accrued benefits**

The [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) benefits earned by an employee according to the years of the employee's service.

**Accrued discount**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that [accumulates](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) on [savings bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond) from the date of [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) until the date of [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) or final [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), whichever comes first. [Series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) A, B, C, D, E, EE, F, I, and J are discount or [accrual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrual_bond) bonds, meaning [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal_amount) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) are paid when the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable). [Series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) G, H, HH, and K are [income bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_income_bonds), and the semiannual [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid to their [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) is not included in [accrued discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_market_discount).

**Accrued interest**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that has [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) between the most recent payment and the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or other [fixed-income security](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities). At the time of sale, the buyer pays the seller the [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) price plus "accrued interest," calculated by multiplying the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) by the fraction of the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) period that has elapsed since the last payment. (If a [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) receives $40 in [coupon payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_payments) per bond semiannually and sells the bond one-quarter of the way into the coupon period, the buyer pays the seller $10 as the latter's proportion of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) earned.)

**Accrued market discount**

The rise in the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [discount bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_bond) as it approaches [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) (when it is [redeemable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par)) and not because of falling [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Accumulate**

[Broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) recommendation that could mean slightly different things depending on the broker/analyst. In general, it means to increase the number of shares of a particular security over the near [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term), but not to [liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) other parts of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a security that might skyrocket. A [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) recommendation, but not an urgent buy.

**Accumulated Benefit Obligation (ABO)**

An approximate measure of the [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) of a [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) in the event of a termination at the date the calculation is performed. Related: [Projected benefit obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#projected_benefit_obligation).

**Accumulated dividend**

A [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that has reached its [due date](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#due_date), but is not paid out. See: [Cumulative preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_preferred_stock).

**Accumulated profits tax**

A tax on [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) retained in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) as a way for the principals to defer personal [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Accumulation**

In the context of [corporate finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_finance), refers to [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) that are added to the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) base of the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) rather than paid out as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). See: [Accumulated profits tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulated_profits_tax).   
In the context of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), refers to the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by an [institutional broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_broker) of a large number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) over a period of time in order to avoid pushing the price of that share up.   
In the context of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), refers to the regular investing of a fixed amount while reinvesting [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Accumulation area**

A [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_range) within which a buyer [accumulates](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). See: [On-balance](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_balance) volume and [distribution area](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution_area).

**Acid test ratio**

Also called the [quick ratio,](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quick_ratio) the ratio of [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), [accruals](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest), and prepaid items to [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities).

**Acquired surplus**

The surplus acquired when a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) in a [pooling of interests](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pooling_of_interests) combination, i.e. the [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) not considered to be [capital stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_stock).

**Acquiree**

A firm that is being acquired.

**Acquirer**

A firm or individual that is purchasing another firm or asset.

**Acquisition**

When a firm [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) another firm.

**Acquisition cost**

Refers to the price (including the [closing costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_costs)) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) another [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or property.

In the context of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), refers to price plus brokerage [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), or the [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) charge applied to [load funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund). See: [Tax basis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_basis).

**Acquisition of assets**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [consolidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidation) in which an [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the selling firm's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Acquisition of stock**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [consolidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidation) in which an [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [acquiree's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Across the board**

Movement or [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) that causes all stocks in all [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) to move in the same direction.

**Acting in concert**

[Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) working together and performing identical actions to attain the same [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) goal.

**Act of state doctrine**

This doctrine says that a nation is sovereign within its own borders, and its domestic actions may not be questioned in the courts of another nation.

**Active**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which there is frequent [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading).

**Active account**

Refers to a brokerage [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) in which many [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) occur. Brokerage firms may levy a fee if an account generates an inadequate level of activity.

**Active bond crowd**

Refers to members of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) department of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) the most [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Antithesis of [cabinet crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cabinet_crowd).

**Active box**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are held in safekeeping and are available as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for securing [brokers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or customers' [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Active fund management**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) approach that purposely shifts funds either between [asset classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_classes) (asset allocation) or between individual [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) ([security selection](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_selection)).

**Active income**

Income from an active business as opposed to [passive](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_income) [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income) according to the U.S. tax code.

**Active Management**

The pursuit of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) in excess of a specified [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark).

**Active portfolio strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that uses available information and [forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) techniques to seek better performance than a [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio). Related: [Passive portfolio strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_portfolio_strategy).

**Active Return**

[Return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) relative to a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark). If a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is 5%, and the benchmark's return is 3%, then the portfolio's [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) return is 2%.

**Active Risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) ([annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation)) of the [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). Also called the [tracking error](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tracking_error).

**Actual market**

Used in context of general equities. [Firm market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_market). Antithesis of [Subject market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subject_market).

**Actuals**

The [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). [Cash commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_commodity), [physical asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_asset).

**A-D**

Advance-Decline, or measurement of the number of [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) above their previous [closing prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price) less the number [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) below their previous closing prices over a particular period. As a technical measure of [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [breadth](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#breadth), the steepness of the AD line [indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) whether a strong [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) or [bear](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) market is under way.

**Ad valorem tax**

A type of tax calculated based on percentage of gross or [stated value](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value). For example, VAT.

**Additional bonds test**

A test for ensuring that [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) can meet the [debt service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service) requirements of issuing any new additional bonds.

**Additional hedge**

A protection against [fallout risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrower_fallout) in the [mortgage pipeline](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline).

**Adequacy of coverage**

A test that measures the extent to which the value of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is protected from potential [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) either through [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) or [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge).

**Adjustable rate**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Refers to [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) or [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that is adjusted periodically, usually according to a standard market rate outside the control of the bank or [savings institution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association), such as that prevailing on [Treasury bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) or [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note). Typically, such [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) have a set [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) or ceiling, called [caps](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cap) and [collars](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collar) that limits the adjustment.

**Adjustable-rate mortgage (ARM)**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) that features predetermined adjustments of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) at regular intervals based on an established [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) is adjusted at each interval to a rate equivalent to the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) value plus a predetermined [spread,](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) or [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin), over the index, usually subject to per-interval and to life-of-[loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and/or payment rate [caps.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cap)

**Adjustable-rate preferred stock (ARPS)**

Publicly [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that may be [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) by [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) and [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities)

**Adjusted balance method**

Method of calculating [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charges that uses the [account balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account_balance) remaining after adjusting for all [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) posted during the given [billing period](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#billing_cycle) as its [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis). Related: [Average daily balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_daily_balance) method, [previous balance method](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#previous_balance_method), past due balance method.

**Adjusted basis**

Price from which to calculate and derive [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) upon [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). Account actions such as any [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split) that have occurred since the initial [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) must be accounted for.

**Adjusted debit balance (ADB)**

The account balance for a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) that is calculated by combining the balance owed to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) with any [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) balance in the special miscellaneous account, and any paper [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) accounts.

**Adjusted exercise price**

Term used in [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) (Government National Mortgage Association) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). The final [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) accounts for the [coupon rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) carried on [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage). For example, if the standard GNMA [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) has an 9% [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), the price of GNMA [pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) with 13% mortgages in them is altered so that the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) receives the same [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Adjusted gross income (AGI)**

[Gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_income) less allowable adjustments, which is the income on which an individual is taxed by the federal government.

**Adjusted present value (APV)**

The [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) analysis of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) if financed solely by [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) ([present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of [unlevered cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow)), plus the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of any [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) decisions (levered cash flows). In other words, the various [tax shields](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shield) provided by the [deductibility](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and the benefits of other [investment tax credits](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_tax_credit) are calculated separately. This analysis is often used for [highly leveraged transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#highly_leveraged_transaction) such as a [leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout).

**Adjustment bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in exchange for [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) bonds when a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) facing [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) is [recapitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recapture).

**Administrative pricing rules**

IRS rules used to allocate income on export [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to a [foreign sales corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_sales_corporation).

**Advance**

Increase in the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), or other [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Advance commitment**

A promise to sell an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) before the seller has lined up [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of the asset. This seller can [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) by purchasing a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) to fix the [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) price approximately.

**Advance Computerized Execution System (ACES)**

Refers to the Advance Computerized Execution System, run by [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.). ACES automates [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) between [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) entry and [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that have established [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) relationships with each other. [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are designated as specified for automatic [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Advance funded pension plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) in which funds are set aside in advance of the date of [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement).

**Advance refunding**

In the context of [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), refers to the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of new [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) (the [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue)) before the first [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date) of old [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) (the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to be refunded). The refunding issue usually specifies a rate lower than the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to be refunded, and the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) are [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_invested), usually in [government](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#governments) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), until the higher-rate bonds become [callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable). See: [Refunding escrow deposits](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding_escrow_deposits).

**Advancement**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or property given to a person by the deceased before death and intended as an advance against the [beneficiary's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) share in the will.

**Adverse opinion**

An independent [auditor's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auditors_report) expressing that a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) do not reflect the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) accurately. See also: [Qualified opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_opinion).

**Adverse selection**

Refers to a situation in which sellers have relevant information that buyers lack (or vice versa) about some aspect of product quality.

**Advising bank**

[Corresponding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) bank in the [beneficiary's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) country to which an [issuing bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuing_bank) sends a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit).

**Advisory letter**

A newsletter offering financial advice to its readers.

**Affidavit of Loss**

A sworn statement describing the particulars and circumstances of the [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities). This affidavit is required before a [Bond of Indemnity](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_of_indemnity) can be [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and the securities replaced.

**Affiliate**

Relationship between two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) when one company owns substantial [interest,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) but less than a majority of the [voting stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_stock) of another company, or when two companies are both [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of a third company. See: [Subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Affiliated corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that is an [affiliate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) to the [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Affiliated person**

An individual who possesses enough influence and control in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) as to be able to alter the actions of the corporation.

**Affirmative covenant**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that specifies certain actions the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) must take.

**Affirmative obligation**

A New York Stock Exchange rule that governs the behavior of specialists. Affirmative obligation is the mandate of the specialists to step in and act as either the buyer or the seller when public investor orders exist do not match up naturally. Also known as [positive\_obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#affirmative_obligation). Related: [negative\_obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_obligation).

**Affordability index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that measures the financial ability of consumers to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a home.

**After acquired clause**

A contractual clause in a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) agreement stating that any additional mortgageable property attained by the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) after the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) is signed will be regarded as additional [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) addressed in the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**After-hours dealing or trading**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) after regular trading hours on [organized exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange).

**Aftermarket**

See: [Secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market).

**After-tax basis**

The [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) used to analyze the net after-tax returns on a corporate taxable [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and a [municipal tax-free bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond).

**After-tax profit margin**

The ratio of [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) to [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales_transaction).

**After-tax real rate of return**

The after-tax rate of return [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) rate.

**Against the box**

See: [Selling short against the box](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_short_against_the_box).

**Aged fail**

An account between two [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) that remains intact 30 days after the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date). The receiving [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) must adjust its [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) as it can no longer treat this account as an [asset.](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset)

**Agencies**

See: [Federal agency securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_agency_securities).

**Agency**

In context of general equities, buying or selling for the account and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of a customer. Generally, an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), or [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), acts as [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) between buyer and seller, taking no [financial risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_risk) personally or as a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), and charging a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) for the service. The broker represents a customer buyer/seller to a customer seller/buyer and does not act as [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) for the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) own [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) account. Antithesis of [principal.](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) See: [Dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Agency bank**

A form of organization commonly used by foreign banks to enter the US [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). An [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) bank cannot accept deposits or extend [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in its own name; it acts as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for the parent bank. It is also the [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [ADRs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) to the general market.

**Agency basis**

A means of [compensating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) of a [program trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading) solely on the basis of [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) established through [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) submitted by various brokerage firms.

**Agency cost view**

The argument that specifies that the various [agency costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_costs) create a complex environment in which total agency costs are at a minimum with some, but less than 100%, [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance).

**Agency costs**

The [incremental costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#incremental_costs_and_benefits) of having an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) make decisions for a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Agency incentive arrangement**

A means of [compensating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) of a [program trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading) using [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) for [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to be traded in determining [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) or fees.

**Agency pass-throughs**

[Mortgage pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security) whose [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments are [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by government [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), such as the [Government National Mortgage Association (Ginnie Mae)](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae), [Federal Home Loan Mortgage Corporation (Freddie Mac)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac), and [Federal National Mortgage Association (Fannie Mae)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae).

**Agency problem**

Conflicts of interest among [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder), and [managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager).

**Agency securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [federally related institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federally_related_institutions) and [U.S. government-sponsored entities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_sponsored_enterprises). Such [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) were created to reduce [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) for certain [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the economy, such as agriculture.

**Agency theory**

The analysis of [principal-agent relationships](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal_agent_relationship), in which one person, an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), acts on behalf of another person, a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Agent**

A party appointed to act on behalf of a principal entity or person. In context of project [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), refers to the bank in charge of administering the project financing.

**Aggregate exercise price**

The [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) multiplied by the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) or [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). The [option premium](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_premium) is excluded in the aggregate exercise price. In the case of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) traded on [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument), the aggregate exercise price is the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) multiplied by its [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value).

**Aggregation**

Process in [corporate financial planning](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_financial_planning) whereby the smaller [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) proposals of each of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) operational [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) are aggregated and effectively treated as a whole.

**Aggressive Growth Hedge Fund**

In the context of [hedge funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_fund), a style of management that focuses primarily on equities that are expected to have strong [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) growth.

**Aggressive growth mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) designed for maximum [capital appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_appreciation) that places its [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) in [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with high [growth rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates).

**Aggressively**

Used in context of general equities. For a customer it means working to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell one's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), with an emphasis on [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) over price. For a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) it means acting in a way that puts the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) at higher [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) through paying a higher price, selling cheaper, or making a larger [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) than the trader would under normal circumstances.

**Aging schedule**

A table of [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) broken down into age categories (such as 0-30 days, 30-60 days, and 60-90 days), which is used to determine if customer payments are keeping close to schedule.

**Agreement among underwriters**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) among participating members of a [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) that defines the members' proportionate [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), which is usually limited to and based on the participants' level of involvement. The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) outlines the payment schedule on the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date). Compare: [Underwriting agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_agreement).

**Agreement corporation**

[Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by a state to engage in international banking: so named because the corporation enters into an "agreement" with the Fed's Board of Governors that it will limit its activities to those permitted by an [Edge Act Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#edge_act_corporation).

**Ahead of itself**

In context of general equities, refers to equities that are [overbought](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overbought) or [oversold](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#oversold) on a fundamental basis.

**Ahead of you**

Used for listed equity securities. At the same price but entered ahead of your [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/[interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), usually referring to the [specialist's book.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) See: [Behind,](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#behind) [matched orders,](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#matched_orders) [priority,](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) [stock ahead](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_ahead).

**AIMR Performance Presentation Standards Implementation Committee**

The Association for Investment Management and Research (AIMR) Performance Presentation Standards Implementation Committee is charged with the responsibility to interpret, revise, and update the AIMR Performance Presentation Standards (AIMR-PPS(TM) for [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) performance presentations.

**Air Freight Consolidator**

An air freight carrier that does not own or operate its own aircraft but ships its cargo with actual equipment operating carriers. Consolidators issue [house air waybills](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#house_air_waybill) to their customers and receive master air waybills from the actual carriers.

**Air pocket stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose price drops precipitously, often on the unexpected news of poor results.

**Alien corporation**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) incorporated under the laws of a foreign country regardless of where the company conducts its operations.

**All equity rate**

The [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) that reflects only the [business risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_risk) of a project, distinct from the effects of [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance).

**All in**

Refers to an [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) after accounting for [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) and various related [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**All-in-rate**

Rate used in charging customers for accepting [banker's acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance), consisting of the [discount interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_interest) plus the [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**All Ordinaries Index**

The major stock price [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) in Australia. The capitalization weighted index is made up of the largest 500 companies as measured by market capitalization that are listed on the [Australian Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#australian_stock_exchange). The index was developed with a base value of 500 as of 1979.

**All or none order (AON)**

Used in context of general equities. A [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_price_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) in its entirety or not at all (no partial [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction)), and thus is testing the strength/conviction of the [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty). Unlike an [FOK order](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.o.k.), an AON order is not to be treated as [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) if not executed as soon as it is represented in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading), but instead remains alive until executed or cancelled. The making of "all or none" [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is prohibited, and the making of "all or none" [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is subject to the restrictions of Rule 61. AON orders are not shown on the [specialist's book](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist_book) because they cannot be traded in pieces. Antithesis of [any-part-of order](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#any_part_of_order). See: [FOK order](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.o.k.).

**All-in cost**

Total [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), explicit and implicit.

**All-or-none underwriting**

An arrangement whereby a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) if the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) is unable to resell the entire issue.

**All Risk Insurance**

[Marine cargo insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marine_cargo_insurance) which covers most perils except strikes, riots, civil unrest, capture, war, seizure, civil war, piracy, [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) of [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), and inherent vice.

**Allied member**

A [partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) or [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is a member of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.), the [partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) or stockholder is not personally a member of the NYSE.

**Alligator spread**

The term used to describe a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) in the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that generates such a large [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) that the client is unlikely to make a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) even if the markets move as the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [anticipated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anticipation).

**Allocation-of-income rules**

US tax provisions that define how income and [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) are to be allocated between domestic source and foreign source income.

**Allocational efficiency**

The effectiveness with which a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) channels [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) toward its most productive uses.

**Allotment**

The number of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) assigned to each of the participants in an [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate).

**Alpha**

Measure of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-adjusted performance. An alpha is usually generated by regressing the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) on the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 excess return. The [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) adjusts for the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) (the slope coefficient). The alpha is the intercept. Example: Suppose the mutual fund has a return of 25%, and the [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) is 5% (excess return is 20%). During the same time the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) excess return is 9%. Suppose the beta of the mutual fund is 2.0 (twice as risky as the S&P 500). The [expected excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) given the risk is 2 x 9%=18%. The actual excess return is 20%. Hence, the alpha is 2% or 200 [basis points](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point). Alpha is also known as the [Jensen Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#jensen_index). Related: [Risk-adjusted return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_adjusted_return).

**Alpha equation**

[Regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) usually run over 36-60 months of data: Return-[Treasury bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills)= [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha) + [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) ([S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 - Treasury bill) + error. The alpha is the intercept. Note that the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) does not necessarily have to be the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500. A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) specializing in international [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) might be benchmarked to a broader world [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index), such as the [MSCI World Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#morgan_stanley_capital_international_world_index).

**Alphabet stock**

Categories of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) associated with a particular [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) resulting from [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) and [restructuring](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restructuring). The various alphabetical categories have different [voting rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights) and pay [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) tied to the operating performance of the particular divisions. See also: [Tracking stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tracking_stock).

**Alternative investments**

Usually refers to [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [hedge funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_fund). Many hedge funds pursue [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that are uncommon relative to [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund). Examples of alternative investment strategies are: [long-](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term)-short equity, event driven, statistical arbitrage, fixed income arbitrage, [convertible arbritage](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_arbitrage), short bias, global macro, and equity market neutral. May also refer to the high frequency style of commodity trading advisors who often employ technical and quantitative tools for intraday investments

**Alternative Minimum Tax (AMT)**

A federal tax aimed at ensuring that wealthy individuals, estates, [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), and [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) pay a minimal level [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax). For individuals, the AMT is calculated by adding [adjusted gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_gross_income) to [tax preference items](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_preference_item).

**Alternative mortgage instruments**

Variations of [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) such as [adjustable-rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_mortgage) and variable-rate mortgages, [graduated-payment mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#graduated_payment_mortgages), [reverse-annuity mortgages,](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reverse_annuity_mortgage) and several seldom-used variations.

**Alternative order**

Used in context of general equities. [Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) giving a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) a choice between two courses of action, either to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell, never both. [Execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of one course automatically eliminates the other. An example is a combination [buy limit](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order)/ [buy stop order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_stop_order), where the buy limit is below the current [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and the buy stop is above. If the order is for one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading), when one part of the order is executed on the occurrence of one alternative, the order on the other alternative is to be treated as [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel). If the order is for an amount of more than one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of trading, the number of units executed determines the amount of the alternative order to be treated as [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel). Sometimes known as One Cancels the Other. Also see: [Either-or order](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#either_or_order).

**American Association of Individual Investors (AAII)**

A [not-for-profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_for_profit) organization to educate individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) about [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), and other financial [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**American Depositary Receipt (ADR)**

[Certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) issued by a US depository bank, representing foreign [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) held by the bank, usually by a branch or [correspondent](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) in the country of [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). One ADR may represent a portion of a foreign share, one share or a bundle of shares of a foreign [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). If the ADR's are "[sponsored](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sponsor)," the corporation provides [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) information and other assistance to the bank and may subsidize the administration of the ADR. "Unsponsored" ADRs do not receive such assistance. ADRs are subject to the same [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), political, and [economic risks](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_risk) as the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) foreign share. [Arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) keeps the prices of ADRs and [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) foreign shares, adjusted for the [SDR](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#special_drawing_rights)/ordinary ratio essentially equal. [American depository shares (ADS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_share) are a similar form of certification.

**American Depositary Receipt Fees**

Fees associated with the creating or releasing of [ADRs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) from [ordinary shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#ordinary_shares), charged by the commercial banks with [correspondent](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) banks in the international sites.

**American Depositary Receipt Ratio**

The number of [ordinary shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#ordinary_shares) into which an [ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) can be converted.

**American Depositary Share (ADS)**

Foreign stock [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the US and [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) in the [ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) system.

**American option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that may be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) at any time up to and including the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date). Related: [European option](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_option)

**American shares**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the US by a [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) acting on behalf of the foreign [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer). The [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) represent claims to foreign equities.

**American Stock Exchange (AMEX)**

[Stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) with the third highest volume of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) in the US. Located at 86 Trinity Place in downtown Manhattan. The bulk of trading on AMEX consists of [index options](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option) (computer technology [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), institutional index, major [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) index) and [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of small to medium-sized [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) are predominant. Recently merged with [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.) See: [Curb](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#curb).

**American-style option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that can be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) at any time between the date of [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date). Most [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)-traded equity [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) are American style.

**Amman Financial Market (AFM)**

Established in 1976, the AFM is the only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Jordan.

**Amman Stock Exchange**

The only [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) authorized as a formal [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in Jordan.

**Amortization**

The repayment of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) by [installments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#installment_payments).

**Amortization factor**

The [pool factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool_factor) implied by the scheduled [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) assuming no [prepayments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments).

**Amortizing interest rate swap**

[Swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) in which the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) or [notional amount](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#notional_principal_amount) declines over time.

**Amount outstanding and in circulation**

All [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) issued by the Bureau of the Mint and intended as a medium of exchange. Coins sold by the Bureau of the Mint at [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) prices are not included; uncirculated coin sets sold at [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) plus handling charge are included.

**Amsterdam Exchange (AEX)**

Exchange that comprises the AEX-Effectenbeurs, the AEX-Optiebeurs (formerly the [European Options Exchange or EOE](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_options_exchange)) and the AEX-Agrarische Termijnmarkt. AEX-Data Services is the operating [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) responsible for the dissemination of data from the Amsterdam Exchange via its integrated Mercury 2000 system.

**AMTEL**

Used in context of general equities. In-house message system entered and displayed through Quotron A page.

**Analyst**

Employee of a brokerage or fund [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) house who studies [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and makes [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)-and-sell recommendations on [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of these companies. Most specialize in a specific [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry).

**And interest**

An [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that the buyer will receive [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) in addition to the [price quoted](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quoted_price) for a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Andean Pact**

A regional trade pact that includes Venezuela, Colombia, Ecuador, Peru, and Bolivia.

**Angel**

An [investment-grade bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds). Antithesis to [fallen angel](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fallen_angels). In the context of [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital), the first [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Angels**

Individuals providing [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital).

**Ankle biter**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) issued with a [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization) of less than $500 million.

**Announcement date**

Date on which particular news concerning a given [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is announced to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). Used in [event studies,](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#event_study) which researchers use to evaluate the economic impact of events of interest.

**Annual basis**

The technique in statistics of taking a figure covering a period of less than one year and extrapolating it to cover a full one year period. The process is known as [annualizing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing).

**Annual effective yield**

See: [Annual percentage yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_yield).

**Annual exclusion**

A tax rule allowing the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of certain income from taxation.

**Annual fund operating expenses**

For [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), the [management fee](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management_fee) and "other [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed)," including the expenses for maintaining [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) records, providing shareholders with [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement), and providing [custodial](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#custodian) and accounting services. For [12b-1 funds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#12b_1_funds), selling and [marketing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) are also included.

**Annual meeting**

Meeting of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) held once a year at which the managers of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) to the [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) on the year's results.

**Annual percentage rate (APR)**

In the context of credit cards, the [periodic rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_rate) times the number of periods in a year. For example, a 1.5% [monthly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) rate has an APR of 18%. In the context of consumer lending, the APR takes into account more than the interest rate applied to the principal per period. Under the Truth in Lending Act, it has a specific definition and includes all the costs paid by a non-exempt consumer borrower that are considered a "finance charge," including fees paid to third parties by the lender if not properly disclosed and excluded from the finance charge (such as credit insurance).

**Annual percentage yield (APY)**

The effective, or true [annual rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_rate_of_return). The APY is the rate actually earned or paid in one year, taking into account the effect of [compounding.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) The APY is calculated by taking one plus the periodic rate, raising it to the number of periods in a year and then subtracting one. For example, a 1% per month rate has an APY of 12.68% (1.01^12 -1).

**Annual rate of return**

There are many ways of calculating the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) rate of return. If the [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) is calculated on a monthly basis, we sometimes multiply this by 12 to express an annual rate of return. This is often called the [annual percentage rate (APR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate)). The [annual percentage yield (APY](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_yield)) includes the effect of [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Annual renewable term insurance**

See: [Term insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_insurance).

**Annual report**

Yearly record of a [publicly held](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#publicly_held) [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) condition. It includes a description of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) operations, as well as [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet), [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement), and [cash flow statement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_cash_flows) information. [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rules require that it be distributed to all [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). A more detailed version is called a [10-K](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#10_k).

**Annualized gain**

If stock X appreciates 1.5% in one month, the [annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) for that stock over a twelve month period is (12 x 1.5%) = 18%. [Compounded](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) over the 12 month period, the gain is (1.015)^12 -1 = 19.6%.

**Annualized holding-period return**

The [annual rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_rate_of_return) that when [compounded](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) *t* times generates the same *t*-[period holding return](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period_return) as actually occurred from period 1 to period *t*.

**Annualizing**

See: [Annual basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_basis).

**Annuitant**

An individual who receives benefits from an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity).

**Annuitize**

To commence a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of payments from the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) that has [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) in an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity). The payments may be a fixed amount, for a fixed period of time, or for a lifetime.

**Annuity**

A regular [periodic payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_payment_plan) made by an insurance company to a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) for a specified period of time.

**Annuity certain**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) that pays a specific amount on a monthly [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) for a set amount of time.

**Annuity due**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) with *n* payments, where the first payment is made at time *t =* 0, and the last payment is made at time *t = n -* 1.

**Annuity factor**

[Present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of $1 paid for each of *t* periods.

**Annuity in arrears**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) with a first payment one full period hence, rather than immediately.

**Annuity starting date**

The date when an [annuitant](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuitant) starts receiving payments from an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity).

**Anticipated holding period**

The period of time an individual expects to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Anticipation**

Paying what is owed before it is due (usually to save [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) charges).

**Antidilutive effect**

Result of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that increases [earnings per common share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) (e.g., by decreasing the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_shares)).

**Anti-Persistence**

In [R/S Analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rescaled_range_analysis), an anti-persistent [time series](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_series_models) reverses itself more often than a random series would. If the system had been up in the previous period, it is more likely that it will be down in the next period and vice versa. Also called pink noise, or [1/f noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#1_f_noise). See: Persistence, [R/S Analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rescaled_range_analysis), [Hurst Exponent](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent), [Joseph Effect](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joseph_effect), [Noah Effect](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noah_effect).

**Antigreenmail**

[Greenmail](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#greenmail) refers to the agreement between a large shareholder and a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in which the shareholder agrees to sell his stock back to the company, usually at a premium, in exchange for the promise not to seek control of the company for a specified period of time. Antigreenmail provisions prevent such arrangements unless the same [repurchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) is made to all shareholders or approved by shareholder vote. There are some states that have antigreenmail laws.

**Antitrust laws**

Legislation established by the federal government to prevent the formation of [monopolies](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monopoly) and to regulate [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Any-interest-date**

A [call provision](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_provision) in a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture) that establishes the right of [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) for the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) on any [interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) due date.

**Any-or-all bid**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) in which the [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to pay a set price for all [outstanding shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_shares) of the [target company,](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) or any part thereof; contrasts with [two-tier bid](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#two_tier_bid).

**Any-part-of order**

In context of general equities, [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or [sell](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) a quantity of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in pieces if necessary. Antithesis of an [all-or-none order (AON](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order)).

**Appraisal ratio**

The [signal](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#signal)-to-[noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noise) ratio of an [analyst's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) [forecasts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting). The ratio of [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha) to [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals) [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation).

**Appraisal rights**

A right of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) in a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) to demand the payment of a fair price for their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), as determined independently.

**Appreciation**

Increase in the value of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Appropriation request**

Formal request for funds for [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) project.

**Approved list**

A list of [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) and other [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) is allowed to invest in. See: [Legal list](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legal_list).

**APS**

Auction [Preferred Stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock). A type of [Dutch Auction Preferred Stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dutch_auction_preferred_stock) (Goldman Sachs product).

**Arbitrage**

The simultaneous [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at two different [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) in two different [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), resulting in [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) without [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). Perfectly [efficient markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_market_hypothesis) present no arbitrage opportunities. Perfectly [efficient markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_market_hypothesis) seldom exist, but, arbitrage opportunities are often precluded because of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Arbitrage bonds**

[Municipality](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued intended to gain an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) advantage by refunding a higher-rate [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in ahead of their [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date). Lower-rate [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) issue [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) are invested in [Treasuries](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) until the first [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date) of the higher-rate issue.

**Arbitrage-free option-pricing models**

[Yield curve option-pricing models.](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve_option_pricing_models)

**Arbitrage Pricing Theory (APT)**

An alternative model to the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) developed by Stephen Ross and based purely on [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) arguments. The APT implies that there are multiple [risk factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_factor) that need to be taken into account when calculating [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-adjusted performance or [alpha.](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha)

**Arbitrage Trading Program (ATP)**

See: [Program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading).

**Arbitrageur**

One who [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from the differences in price when the same, or extremely similar, [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), [currency,](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) is [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on two or more [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). The arbitrageur [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) by simultaneously purchasing and selling these securities to take advantage of pricing differentials ([spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread)) created by [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions. See: [Risk arbitrage,](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage) [convertible arbitrage,](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_arbitrage) [index arbitrage,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_arbitrage) and [international arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_arbitrage).

**Are you open?**

Used in context of general equities. "Can a new customer still participate on opposing side of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) from that which the first customer initiated?", Inquiring as to whether any portion of that trade is still available See: [Open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open).

**Arithmetic average (mean) rate of return**

[Arithmetic mean return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arithmetic_mean_return).

**Arithmetic mean return**

An [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of the [subperiod returns](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subperiod_return), calculated by summing the subperiod returns and dividing by the number of subperiods.

**Arizona Stock Exchange**

A single price auction exchange for equity [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) that allows anonymous [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sellers to trade at low [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Arm's length price**

The price at which a willing [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and a willing unrelated [seller](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) would freely agree to transact or a trade between related parties that is conducted as if they were unrelated, so that there is no conflict of interest in the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Arms index**

Also known as a TRading INdex ([TRIN](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trin)). The index is usually calculated as the number of advancing [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) divided by the number of declining issues. This, in turn, is divided by the advancing volume divided by the declining volume. If there is considerably more advancing volume relative to declining volume this will tend to reduce the index (i.e. increase the denominator). Hence, a value less than 1.0 is [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) while values greater than 1.0 indicate [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) demand. The [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) often is smoothed with a simple [moving average](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#moving_average).

**Around us**

Used in context of general equities. See: [Away from you](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#away_from_us).

**Arranger**

The senior tier of a [syndication](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate). This implies the entity that agreed and negotiated the project [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) structure. Also refers to the bank or [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) entitled to syndicate the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Also known as the lead underwriter.

**Arrearage**

In the context of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), refers to the amount by which [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) on [cumulative preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_preferred_stock) is due and unpaid.

**Articles of incorporation**

Legal document establishing a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and its structure and purpose.

**Artificial currency**

A [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) substitute, e.g., [special drawing rights](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#special_drawing_rights) (SDRs).

**Artificial Intelligence**

The creation of models that mimic thought processes. See: [Neural Networks](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#neural_nets), [Fuzzy Logic](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fuzzy_logic), and [Genetic Algorithms](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#genetic_algorithms).

**Ascending tops**

A chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) that depicts that each [peak](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#peak) in a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) price over a period of time is higher than the preceding peak. Antithesis of [descending tops](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#descending_tops).

**Asia-Pacific Economic Cooperation Pact (APEC)**

A loose economic affiliation of Southeast Asian and Far Eastern nations. The most prominent members are China, Japan, and Korea.

**Asian Currency Units (ACU)**

Dollar deposits held in Singapore or other Asian centers.

**Asian Development Bank**

A [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) established in 1966 to reduce poverty in the Asia-Pacific region. The bank is headquartered in Manila, Philippines and consists of 61 member countries.

**Asian dollar market**

Asian banks that collect deposits and make [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in US dollars.

**Asian option**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) based on the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) price of the [underlying assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) during the life of the option.

**Ask**

This is the quoted ask, or the lowest price an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will accept to sell a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Practically speaking, this is the quoted [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock); also called the [offer price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price).

**Asked price**

In context of general equities, price at which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) is [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) or in the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Asked to bid/offer**

Used in context of general equities. Usually a seller ([buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)) looking to [aggressively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively) sell (buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), usually asking for a [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) commitment from an [investment bank.](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank)

**Aspirin**

Australian Stock Price Riskless Indexed Notes. [Zero-coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) four-year [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) repayable at [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) plus the percentage increase by which the Australian stock index of [all ordinaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_ordinaries_index) ([common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock)) rises above a predefined level during the given period.

**Assay**

Metal purity test to confirm that the metal meets the standards for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) on a [commodities exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodities_exchange_center) (commodities exchange center).

**Assessed valuation**

The value assigned to property by a [municipality](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) for the purpose of tax assessment. Such an assessed valuation is important to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) that are backed by [property taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#property_tax).

**Asset**

Any possession that has value in an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Asset activity ratios**

[Ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_ratio) that measure how effectively the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is managing its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Asset allocation decision**

The decision regarding how an [institution's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) funds should be distributed among the major [classes of assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_classes) in which it may invest.

**Asset allocation mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that rotates among [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to maximize [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and minimize [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Asset-backed security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) by [loans,](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), receivables, or [installment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#installment_payments) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) on [personal property](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#personal_property), not [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate).

**Asset-based financing**

Methods of [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) in which [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and equity [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) look principally to the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from a particular [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or set of assets for a [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on, and the return of, their financing.

**Asset classes**

Categories of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), and foreign [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Asset-coverage test**

A [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture) restriction that permits additional [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) if the ratio of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) does not fall below a specified minimum.

**Asset Depreciation Range System**

A range of [depreciable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) lives the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) allows for particular [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Asset/equity ratio**

The ratio of [total assets](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total_asset_turnover) to [stockholder equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity).

**Asset for asset swap**

[Creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) exchange the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) of one [defaulting](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) for the debt of another defaulting borrower.

**Asset/liability management**

The task of managing the funds of a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) to accomplish two goals: (1) to earn an adequate [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on funds invested and (2) to maintain a comfortable surplus of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) beyond [liabilities.](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) Also called [surplus management](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_management).

**Asset management account**

Account at a brokerage house, bank, or [savings institution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association) that integrates banking services and brokerage features.

**Asset play**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are not believed to be accurately reflected in its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price, making it an attractive [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or play.

**Asset pricing model**

A model for determining the [required](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_rate_of_return) or expected rate of [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). Related: [Capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) and [arbitrage pricing theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory).

**Asset stripper**

A corporate raider ([company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) A) that takes over a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) (company B) in order to sell large [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of company B to repay [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). Company A calculates that the [net,](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) selling off the assets and paying off the debt, will leave the raider with assets that are worth more than what it paid for company B.

**Asset substitution**

Occurs when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) invests in [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are [riskier](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) than those that the [debtholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtholder) expected.

**Asset substitution problem**

Arises when the [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) substitute [riskier](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) for the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) existing assets and expropriate value from the [debtholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtholder).

**Asset swap**

An [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) used to alter the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) characteristics of an institution's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in order to provide a better match with its [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Asset turnover**

The ratio of [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales) to total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Asset value**

The net [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on a per-share [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis), not the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is undervalued in the market when [asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_value) exceeds [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Assets**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) productive resources.

**Assets-in-place**

Property in which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has already invested.

**Assets requirements**

A common element of a [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan) that describes projected [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) spending and the proposed uses of [net working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_working_capital).

**Assignment**

The [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) of an [exercise notice](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_notice) by an [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) that requires the writer to sell (in the case of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) (in the case of a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) at the specified [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price).

**Assignment of proceeds**

Arrangement that allows the original [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) of a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) to pledge or turn over [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) to another, typically end supplier.

**Assimilation**

The [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) absorption of a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) once the stock has been completely sold by [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter). See: [Absorbed](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#absorbed).

**Association of Southeast Asian Nations (ASEAN)**

A loose economic and geopolitical affiliation that includes Singapore, Brunei, Malaysia, Thailand, the Philippines, Indonesia, and Vietnam. Future members are likely to include Burma, Laos, and Cambodia.

**Assumed interest rate**

Rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) used by an [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to calculate the payout on an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Assumption**

Becoming responsible for the [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) of another party.

**ASX Derivatives and Options Market (ASXD)**

[Options market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_and_option_market) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) options on more than 50 of Australia's and New Zealand's leading [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Asymmetric information**

Information that is known to some people but not to other people.

**Asymmetric taxes**

When participants in a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) have different net tax rates.

**Asymmetric volatility**

Phenomenon that [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) is higher in down [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) than in up markets.

**Asymmetry**

A lack of equivalence between two things, such as the unequal tax treatment of [interest expense](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_expense) and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments.

**"At"/"for"**

Used in context of general equities. Paramount terms used to differentiate an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings). Stock is offered at; stock is [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for. In an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) syntax followed is "Quantity-at-Price"; in a bid, the syntax followed is "Price-for-Quantity."

**Athens Stock Exchange**

Greece's only major [securities market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_markets). Greek language only.

**At par**

A price equal to [nominal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal) or [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). See: [Par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par).

**At risk**

The exposure to the danger of economic [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). Frequently used in the context of claiming [tax deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction). For example, a person can claim a [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) in a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) if the taxpayer can show it is at [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of never realizing a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and of losing its initial [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). See: [Value at risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_at_risk_model).

**At the bell**

In context of general equities, at the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) or [close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). See: [MOC Order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_on_close).

**At the close order**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), an [all or none](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order) [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the [closing price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price) of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange). If the [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) cannot be made under this condition, the [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) is to be treated as [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

In the context of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), refers to a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) on some [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) during the [closing period](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close), a period in which there is a [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) of prices.

**At the figure**

In context of general equities, at the whole integer price (excluding the fraction) closest to the side of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) ([bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/ask) being discussed. [At the full](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#at_the_full).

**At the full**

Used in context of general equities. [At the figure](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#at_the_figure).

**At the market**

See: [Market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order).

**At-the-money**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is at the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) if the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) of the option is equal to the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). For example, if xyz stock is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at 54, then the xyz 54 [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is at the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**At the opening order**

In context of general equities, [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) or [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening_transaction) (and [corresponding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) price) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or not at all, and any such [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) or portion thereof not so executed is to be treated as [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**Attractor**

In non-linear dynamic [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series), an attractor defines the [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium) level of the system. See: [Point Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point_attractor), [Limit Cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_cycles), and [Strange Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strange_attractor).

**Attribute bias**

The tendency of [stocks preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) by the [dividend discount model](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_discount_model) to share certain [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) attributes such as low [price-earnings ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio), high [dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield), high [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) ratio, or membership in a particular [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) sector.

**Athens Stock Exchange (ASE)**

Greece's principal [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Auction Market Preferred Stock (AMPS)**

A type of [Dutch Auction Preferred Stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dutch_auction_preferred_stock) (A Merrill Lynch product).

**Auction markets**

[Markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which the prevailing [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) is determined through the free interaction of prospective buyers and sellers, as on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Auction rate preferred stock (ARPS)**

[Floating rate preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_preferred), whose [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) is adjusted every seven weeks through a [Dutch auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dutch_auction).

**Audit**

An examination of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) accounting records and [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) conducted by an outside professional in order to determine whether the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is maintaining records according to [generally accepted accounting principles](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#generally_accepted_accounting_principals). See: [accountant's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accountants_opinion).

**Audit trail**

Resolves the validity of an accounting entry by a step-by-step record by which accounting data can be traced to their source.

**Auditor's certificate**

See: [Accountant's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accountants_opinion).

**Auditor's report**

A section of an [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) that includes the auditor's opinion about the veracity of the [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Aunt Millie**

An unsophisticated [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Australian Stock Exchange (ASX)**

Australia's major [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) market, formed when the six state stock exchanges (Adelaide, Brisbane, Hobart, Melbourne, Perth, and Sydney stock exchanges) were merged in 1987.

**Autarky**

Absence of a cross-border [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in models of international [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Autex**

Video communication network through which brokerage houses alert [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) of their desire to transact [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) business (a [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale)) in a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [Indications](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) transmit small, medium, and large sizes only, with occasional limits mentioned. [Supers](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#super_message) are messages with specific size and price included. Both "indications" and "supers" can be only seen by customers (institutional subscribers to Autex). Trade recaps, advertised [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) trades entered by the [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer)/subscribers, are also displayed, but can be seen by both [institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) and dealers. See: [Expunge](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expunge), [size.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#size)

**Authentication**

In the context of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), refers to the validation of a bond certificate.

**Authority bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued by a government [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) or a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) created to manage a revenue-producing [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) enterprise. The difference between an authority bond and a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) is that [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) protections may be incorporated in the authority bond [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) as well as in the legislation that enables the authority.

**Authorized shares**

Number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) authorized for [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) corporate [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter).

**Autocorrelation**

The [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) of a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) with itself over successive time intervals. Sometimes called serial correlation.

**Automated bond system (ABS)**

The computerized system that records [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for inactively [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) until they are [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) or [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.).

**Automated Clearing House (ACH)**

A collection of 32 regional electronic interbank networks used to process [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) electronically with a [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) one-day bank [collection float](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection_float).

**Automated Customer Account Transfer (ACAT)**

For [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from a non-equity [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) account to your equity trading account with your [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Automated Export System**

Electronic filing of Shippers Export Declaration (SEDs) with US Customs prior to departure.

**Automated Order System (AOS)**

[Investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) computerized [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) entry system that sends single order entries to [DOT](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#d.o.t.) (Odd-Lot) or to investment banks [floor brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) on the [exchange.](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) See: [Round lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot), [GTC orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_til_cancelled).

**Automated Pit Trading (APT)**

Introduced in 1989, APT is the [LIFFE](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_international_financial_futures_and_options_exchange) screen-based [trading system](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) that replicates the open outcry method of trading on screen. APT is used to extend the trading day for the major [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) as well as to provide a daytime trading environment for non-[floor trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_trader) products.

**Automated teller machine (ATM)**

Computer-controlled terminal located on the premises of [financial institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) or elsewhere, though which customers may make deposits, withdrawals or other [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) as they would through a bank teller. Other terms sometimes used to describe such terminals are customer-bank communications terminal (CBCT) and remote service unit (RSU). Groups of banks sometimes share ATMs. Sometimes called Automated Banking Machines.

**Automatic Data Processing (ADP)**

A private company that acts as an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) to perform [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) services for several banks and [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). Distributes proxy material to beneficial owners, tabulates the returned proxies, and provides the [Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or its tabulator compiled reports of the tabulation results. ADP also distributes [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) and other corporate information to the beneficial owners.

**Automatic exercise**

A protection procedure whereby the [Options Clearing Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_clearing_corporation) attempts to protect the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of an expiring [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) option by automatically [exercising](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) the option on behalf of the holder.

**Automatic extension**

An automatic extension of time granted to a taxpayer to file a tax return.

**Automatic funds transfer**

A [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds from one [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) or [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) vehicle to another using electronic or telecommunications technology.

**Automatic investment program**

A program in which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can invest or withdraw funds automatically. A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), for example, automatically withdraws a pre determined specified amount from the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) bank account on a regular basis.

**Automatic reinvestment**

See: [Constant dollar plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#constant_dollar_plan).

**Automatic stay**

The restricting of [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) from [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) efforts related to [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) seizure. Automatically imposed when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) files for [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) under [Chapter 11](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chapter_11_proceedings).

**Automatic transfer service (ATS) account**

A depositor's saving account from which funds may be transferred automatically to the same depositor's [checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) account to cover a check written or to maintain a minimum balance.

**Automatic withdrawal**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that gives [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) the right to receive a fixed payment from [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) on a [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) or monthly basis.

**Autoquote**

Autoquote [indicative](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) prices are generated for many of the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at [LIFFE](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_international_financial_futures_and_options_exchange) using standard mathematical models as derived by [Black and Scholes](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#black_scholes_option_pricing_model) and Cox, [Ross](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ross), Rubinstein. Autoquote calculates prices for all [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) by processing [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) captured in [real-time](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_time) from other systems and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) members each time the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) price changes. Autoquotes [indicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) where a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) may [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), given the current level of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Autoregressive**

Using past data or [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) of interest to predict [future values](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#future_value) of the same variable.

**Auto-Regressive (AR) Process**

A stationary stochastic process where the current value of the time [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) is related to the past p values, where p is any integer, is called an AR(p) process. When the current value is related to the previous two values, it is an AR(2) process. An AR(1) process has an infinite memory.

**Autoregressive Conditional Heteroskedasticity (ARCH)**

A nonlinear stochastic process, where the [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) is time-varying, and a function of the past variance. ARCH processes have frequency [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) which have high [peaks](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#peak) at the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) and fat-tails, much like [fractal distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_distribution). The ARCH model was invented by Robert Engle. The Generalized ARCH (GARCH) model is the most widely used and was pioneered by Tim Bollerslev. See: [Fractal Distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_distribution).

**Availability**

The period in which the project financing is available for [drawdown](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drawdown).

**Availability float**

[Checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) deposited by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that have not yet been cleared.

**Available cash flow**

Total [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) sources less total cash uses before payment of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Available on the way in**

In context of general equities, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is available to new customer as [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) initiated by another customer is about to be consummated (on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor)). Usually said to an inquiring salesperson. See: [Open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open).

**Aval**

Term meaning inseparable from the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments). This gives a [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) and is abstracted from the performance of the underlying trade [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract): Article 31 of the 1930 Geneva Convention of the Bills Of Exchange states that the aval can be written on the bill itself or on an allonge. US Banks are prohibited from avalizing [drafts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Avalizor**

An institution or person who gives the [aval](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aval).

**Average**

An [arithmetic mean return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arithmetic_mean_return) of selected [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) intended to represent the behavior of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or some component of it. One good example is the widely quoted [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average), which adds the current [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of the 30 DJIA stocks, and divides the results by a predetermined number, the divisor.

**Average accounting return**

The average project [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) after taxes and [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) divided by the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) during its life.

**Average (across-day) measures**

An estimation of price that uses the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) or representative price of a large number of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Average age of accounts receivable**

The [weighted-average age](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_life) of all the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) outstanding [invoices](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice).

**Average collection period, or days' receivables**

The ratio of [accounts receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) to [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), or the total amount of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) extended per dollar of daily sales ([average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) AR/sales 365).

**Average cost**

In the context of investing, refers to the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) bought at different prices over time.

**Average cost of capital**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) required payout to [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) and [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) expressed as a percentage of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [contributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). [Average cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_cost) of capital is computed by dividing the total required cost of capital by the total amount of contributed capital.

**Average daily balance**

A method for calculating [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in which the balance owed each day by a customer is divided by the number of days. See also: [Adjusted balance method](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_balance_method) and [previous balance method](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#previous_balance_method).

**Average discount rate**

[Purchasers](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) their [competitive bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competitive_bidding) on a [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) basis. The weighted, or adjusted [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) of all bids accepted in [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) bill auctions.

**Average down**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) used by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to reduce the [average cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_cost) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), in which the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) more shares with a fixed amount of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) as the price of the shares decreases. The [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) receives more shares per dollar and decreases the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) price per share.

**Average equity**

A customer's [average daily balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_daily_balance) in a [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) account at a brokerage firm.

**Average life**

Also referred to as the [weighted-average life (WAL)](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_life). The average number of years that each dollar of unpaid [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) due on the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) remains [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding). Average life is computed as the [weighted-average time](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_life) to the [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) of all future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow), using as the weights the dollar amounts of the principal paydowns.

**Average maturity**

The [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held by a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund). Changes in [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rates have greater impact on funds with longer average maturity.

**Average rate of return (ARR)**

The ratio of the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) cash inflow to the amount invested.

**Average tax rate**

Taxes as a fraction of income; total taxes divided by total [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income).

**Average up**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) used by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to lower the overall [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) as many shares with a given amount of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) in an increasing [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Buying $1000 worth of shares at $30, $35, $40, and $45, for instance, will make the [average cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_cost) of the sharesx $36.65, lower than the average price of $37.50.

**Averaging**

See: [Constant dollar plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#constant_dollar_plan).

**Avoided cost**

In context of project financing, the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) and [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) that would have to be spent if the project did not proceed.

**Away**

A [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), quote, or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that does not originate with the [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in question, e.g., "the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) is 98-10 away from me."

**Away from the market**

In context of general equities, out of line with the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) at this time, such as when a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) on a [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) is lower or the [offer price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) is higher than the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) for the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security); held by the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) for later [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) unless [FOK](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fill_or_kill_order). Antithesis of [in-line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line).

**Away from us**

Used in context of general equities, to characterize role of a competing [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer). [Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) away from us signifies that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is bought and/or sold with institutions using other [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Away from you**

Used for [listed equity securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security). See: [Outside of you](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outside_of_you).

**Axe to grind**

Used in context of general equities. Involvement in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), whether through a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), or [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry).

**B**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock [descriptor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#descriptor) specifying that [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is the [Class B shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class_A_class_b_shares) of the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**B2B**

An Internet [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) of dealing directly with businesses, rather than consumers, i.e. business to (2) business.

**BA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code forBOSNIA AND HERZEGOVINA.

**BAM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bosnia & Herzegovinan Convertible Mark.

**BAN**

See: [Bank anticipation notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_anticipation_notes)

**BAR**

See: [Builders' All Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#builders_all_risk)

**BB**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BARBADOS.

**BBD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Barbadian Dollar.

**BD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BANGLADESH.

**BDT**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bangladeshi Taka currency.

**BE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BELGIUM.

**BEACON**

See: [Boston Exchange Automated Communication Order-Routing Network](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#boston_exchange_automated_communication_order_routing_network)

**BEARS**

See: [Bonds Enabling Annual Retirement Savings (BEARS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bonds_enabling_annual_retirement_savings)

**BEF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Belgian Franc.

**BF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BURKINA FASO.

**BG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BULGARIA.

**BGL**

The pre-July 1999 [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bulgarian Lev.

**BGN**

The current [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bulgarian Lev.

**BH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BAHRAIN.

**BHD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bahrainian Dinar.

**BI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BURUNDI.

**BIC**

See: [Bank Investment Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_investment_contract)

**BIF**

See: [Bank Insurance Fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_insurance_fund)

**BIF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Burundian Franc.

**BIPS**

See: [Basis point.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point)

**BIS**

See: [Bank for International Settlements](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_for_international_settlements)

**BJ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BENIN.

**BM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BERMUDA.

**BMD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bermudan Dollar.

**BN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BRUNEI DARUSSALAM.

**BND**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Brunei Darussalam Dollar.

**BO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BOLIVIA.

**BOB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bolivian Boliviano.

**BOT**

See: [Build Own Transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#build_own)

**BPS**

See: [Basis point.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point)

**BR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BRAZIL.

**BRL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Brazilian Real.

**BS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BAHAMAS.

**BSD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bahamas Dollar.

**BT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BHUTAN.

**BTM**

See: [Book to market.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_to_market)

**BTN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Bhutan Ngultrum.

**BV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BOUVET ISLAND.

**BW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BOTSWANA.

**BWP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Botswanan Pula.

**BY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BELARUS.

**BYB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Belarus Rouble.

**BZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BELIZE.

**BZD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Belize Dollar.

**Baby bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of less than $1000.

**Back away**

In the context of general equities, to withdraw from a previously declared interest, [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication), or [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction); [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) failure, as a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) in a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), to make good on a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/[offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for the minimum quantity.

**Back fee**

The fee paid on the [extension date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#extension_date) if the buyer wishes to continue the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Back months**

In the context of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), refers to the months of [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) with [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) farthest away. See [farthest month](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#far_month).

**Back office**

Brokerage house clerical operations that support, but do not include, the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). All written [confirmation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#confirmation) and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), record keeping, and regulatory compliance happen in the back office.

**Back on the shelf**

In the context of general equities, permanently [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/[interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by a customer. See: [Take a powder](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_a_powder).

**Back taxes**

Due taxes that have not been paid on time.

**Back up**

(1) When [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) rise and prices fall, the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) is said to back up. (2) An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who [swaps](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) out of one [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) into another of shorter [current maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_maturity) is said to back up.

**"Back up the truck"**

In the context of general equities, "Prepare for a very large buyer."

**Backdating**

In the context of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), a feature allowing fundholders to use an earlier date on a [letter of intent](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_intent) to invest in a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) in exchange for a reduced [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge), e.g. Giving retroactive value to [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) from the earlier date.

**Backed in**

In the context of general equities, to describe the result of unanticipated events that allow for a [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) or a [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Back-end load fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that charges [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) a fee to sell ([redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable)) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), often ranging from 4% to 6%. Some back-end load funds impose a full [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) if the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are redeemed within a designated length of time, such as one year. The commission decreases, the longer the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the shares. The formal name for the back-end load is the [contingent deferred sales charge, or CDSC](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingent_deferred_sales_charge)

**Back-testing**

Creating a hypothetical [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) performance history by applying current asset selection criteria to prior time periods.

**Back-to-back financing**

An [intercompany loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intercompany_loan) channeled through a bank.

**Back-to-back loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in which two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in separate countries [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) each other's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) for a specific time period and repay the other's currency at an agreed-upon [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Backup line**

A commercial paper [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) bank [line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) covering maturing [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) if, for some reason, selling new notes to cover the maturing notes is not possible.

**Backup Line of Credit**

A bank assurance of funds obtained by an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of commercial paper to protect the CP [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) from [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default). The [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) pays a commitment fee to the bank.

**Backwardation**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) condition in which [futures prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price) are lower in the distant [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) months than in the nearest delivery month. This may occur when the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of storing the product until eventual delivery are effectively subtracted from the price today. The opposite of [contango](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contango).

**Bad debt**

A [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that is written off and deemed [uncollectible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection).

**Bad delivery**

Antithesis of [good delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_delivery).

**Bad title**

Title to property that does not distinctly confer ownership, usually in the context of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate).

**Bai-kai**

Two-sided [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [picture](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#picture), in Japanese terminology applies mainly to international equities.

**Bailing out**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), refers to selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) quickly, regardless of the price. May occur when an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) no longer wants to sustain further [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

Also refers to relieving an individual, [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), or government entity in financial trouble.

**Bailout bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the [Resolution Funding Corporation (Refcorp)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resolution_funding_corporation) to save the failing [savings and loan associations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association) in the late 1980s and early 1990s.

**Baker Plan**

A plan by former U.S. [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) Secretary James Baker under which 15 principal middle-income [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) countries (the Baker 15) would undertake growth-oriented structural reforms, to be supported by increased financing from the [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) and continued [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) from commercial banks.

**Balance of payments**

A statistical compilation formulated by a sovereign nation of all economic [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) between residents of that nation and residents of all other nations during a stipulated period of time, usually a calendar year.

**Balance of trade**

[Net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) flow of goods (exports minus imports) between two countries.

**Balance on goods and services**

[Netting](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting) of [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) balances, including the [net amount of payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payments_netting) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to foreign [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) and [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), as well as [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) and payments resulting from international tourism. Also known as Trade Balance.

**Balance sheet**

Also called the statement of financial condition, it is a summary of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and owners' [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Balance sheet exposure**

See: [Accounting exposure](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounting_exposure).

**Balance sheet identity**

Total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) = Total [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) + Total [stockholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity).

**Balanced budget**

A budget in which the income equals expenditure. See: [budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget).

**Balanced fund**

An investment [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that invests in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). The same as a [balanced mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balanced_mutual_fund).

**Balanced mutual fund**

This is a fund that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). The same as a [balanced fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balanced_fund).

**Balloon interest**

In the context of [serial bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), the elevated [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) rate on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with late [maturities.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)

**Balloon maturity**

Any large [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payment due at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) for a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) with or without a [sinking fund requirement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement).

**Balloon Payment**

See: [Bullet.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullet)

**Balloon Payment**

The final (large) payment that repays all the remaining [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) of a partially [amortized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) or unamortized [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Ballot**

The document distributed at the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) meeting to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of record who wish to vote their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in person.

**BAN**

See: [Bond anticipation note](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_anticipation_note).

**Bank-based corporate governance system**

Organization of a supervisory board so that it is dominated by bankers and corporate [insiders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders).

**Bank anticipation notes (BAN)**

Notes [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by states and [municipalities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) to obtain [interim financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interim_financing) for projects that will eventually be funded [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) through the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issue.

**Bank collection float**

The time that elapses between when a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) is deposited into a bank account and when the funds are available to the depositor, during which period the bank is collecting payment from the payer's bank.

**Bank discount basis**

A convention used for quoting [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) in terms of [annualized yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_yield), based on a 360-day year.

**Bank draft**

A [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) addressed to a bank.

**Bank holding company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that owns or has [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in two or more banks and/or other bank [holding companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company).

**Bank Insurance Fund (BIF)**

A [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of the [Federal Deposit Insurance Corporation (FDIC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.d.i.c.) that provides [deposit insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deposit_insurance) for banks excluding [thrifts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#thrift_institution).

**Bank for International Settlements (BIS)**

An international bank headquartered in Basel, Switzerland, which serves as a forum for monetary cooperation among several European [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank), the Bank of Japan, and the US [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system). Founded in 1930 to handle the German payment of World War I reparations, it now monitors and collects data on international banking activity and promulgates rules concerning international bank [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations).

**Bank Investment Contract (BIC)**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by the bank in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) over a specific time frame with a specific [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Bank line**

[Line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) that a bank grants to a customer.

**Bank Letter of Credit Policy**

Standards allowing banks to confirm [letters of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) by foreign banks supporting the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of US exports.

**Bank note**

A term used synonymously with paper [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) issued by a bank. Notes are, in effect, a promise to pay the bearer on demand the amount [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) on the face of the note. Today, only the Federal Reserve Banks are authorized to issue bank notes, i.e. Federal Reserve notes, in the United States.

**Bank regulation**

The formulation and issuance by authorized agencies of specific rules or [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations), under governing law, for the conduct and structure of banking.

**Bank run (bank panic)**

A [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of unexpected [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) withdrawals caused by a sudden decline in depositor confidence or fear that the bank will be closed by the [chartering](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency), i.e. many depositors withdraw cash almost simultaneously. Since the cash reserve a bank keeps on hand is only a small fraction of its deposits, a large number of withdrawals in a short period of time can deplete available cash and force the bank to close and possibly go out of business.

**Bank trust department**

Bank department that deals with estates, administers [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), and provides services such as estate planning advice to its clients.

**Bank wire**

A computer message system linking major banks. It is used not for effecting payments, but as a mechanism to advise the receiving bank of some action that has occurred, e.g., the payment by a customer of funds into that bank's account.

**Banker's acceptance**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) investment created by a nonfinancial [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) and [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by a bank as to payment. [Acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at [discounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) to [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market). These [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) have been a popular investment for [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) funds. They are commonly used in international [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Banking Delay**

Time required for processing and clearing a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) through the banking system.

**Bankmail**

An agreement between a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) engaged in a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and a bank that the bank will not [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the bid of another [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer).

**Bankruptcy**

Inability to pay [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). In bankruptcy of a [publicly owned entity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#publicly_held), the ownership of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) from the [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**Bankruptcy cost view**

The argument that expected indirect and direct [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) the other benefits from [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) so that the optimal amount of leverage is less than 100% [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) financing.

**Bankruptcy risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will be unable to meet its [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). Also referred to as [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) or [insolvency risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvency_risk).

**Bankruptcy view**

The argument that expected [bankruptcy costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy_cost_view) preclude [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) from financing entirely with [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Bar**

Slang for one million dollars.

**Barbell strategy**

A fixed income [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which the [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) included in the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) are concentrated at two extremes.

**Barefoot Investor**

A popular Australian radio program focused on teaching young people financial literacy.

**Barefoot pilgrim**

A slang term for an unsophisticated [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who has lost everything on the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Not to be confused with [Barefoot Investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#barefoot_investor).

**Bargain hunter**

In the context of general equities, [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) who is extremely selective in the price sought on a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Bargain-purchase-price option**

Gives the [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee) the option to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) at a price below [fair market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_market_price) when the [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) expires.

**Barometer**

Economic and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) data that represent an overall [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). The [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) is an example of a [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) barometer.

**BARRA's performance analysis (PERFAN)**

A method developed by BARRA, a consulting [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in Berkeley, Calif. It is commonly used by [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) applying [performance attribution analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_attribution_analysis) to evaluate their [money managers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) performance.

**Barrier options**

[Option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) that remain dormant until a trigger point (the barrier price) is reached, at which point the call or put option is activated, and results either in a long or short options position, or in the automatic exercise of an options position. One example is an up-and-in call. Assume an exercise price of $50 and a barrier price of $53. If the stock stays below $53, the call option cannot be exercised. If the stock price reaches the $53 barrier price, the holder then has a call option on the shares at $50. These are exotic options.

**Barron's confidence index**

[Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) measuring the ratio of the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on 10 top-grade [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond)s to the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) yield on 10 intermediate-grade bonds. The discrepancy between high-rated top-grade bonds and low-rated bond yields establishes a measure that is indicative of [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) confidence.

**Barter**

The [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade)/exchange of goods or services without using [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Base**

A [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) tool. A chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) depicting the period when the supply and demand of a certain [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) are in relative equilibrium, resulting in a narrow [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) range. The merging of the [support level](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support_level) and [resistance level](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resistance_level).

**Base currency**

Applies mainly to international equities. [Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in which gains or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from operating an international portfolio are measured.

**Base interest rate**

Related: [Benchmark interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark_interest_rate).

**Base market value**

The average market price of a group of securities at a specific time. Used for the purpose of [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing).

**Base period**

A particular period of time used for comparative purposes when measuring economic data.

**Base probability of loss**

The probability of not achieving a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return). Related: [Value at risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_at_risk_model).

**Base rate**

British equivalent of the US [prime rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prime_rate).

**Basel Accord**

Agreement concluded among country representatives in 1988 in Switzerland to develop standardized [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-based [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) requirements for banks across countries.

**Basic balance**

In a [balance of payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_of_payments), the basic balance is the [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) balance of the combination of the [current account](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_account) and the [capital account](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_account).

**Basic business strategies**

Key strategies a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) intends to pursue in carrying out its business plan.

**Basic IRR rule**

Accept the project if [IRR](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return) is higher than the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate); reject the project if it is lower than the discount rate. It is wise to also consider [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) for project evaluation.

**Basis**

The price an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) pays for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) plus any out-of-pocket [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). It is used to determine [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_loss) for tax purposes when the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is sold. Also, for a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), the difference between the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) price and the futures price observed in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Basis point**

In the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), the smallest measure used for quoting [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) is a basis point. Each percentage point of [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) in [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) equals 100 [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) points. Basis points also are used for [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rates. An interest rate of 5% is 50 basis points higher than an interest rate of 4.5%. Sometimes referred to as BPS, BIPS, and pronounced "Bips"

**Basis price**

Price expressed in [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) or [annual rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_rate_of_return).

**Basis risk**

Unexpected changes in the basis between the placing and the lifting of a hedge. Basis risk is in excess of convergence.

**Basket**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) products. Group of stocks that is formed with the intention of either being bought or sold all at once, usually to perform [index arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_arbitrage) or a [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) program.

**Basket options**

Packages that involve the exchange of more than two [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) against a [base currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base_currency) at [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration). The basket option buyer [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the right, but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), to receive designated currencies in exchange for a base currency, either at the prevailing [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) rate or at a prearranged rate of exchange. Multinational [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) with multicurrency [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) frequently use basket options because it is generally cheaper to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on a basket of currencies than to buy individual options on each of the currencies that make up the basket.

**Basket trades**

Related: [Program trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trades).

**BD form**

An [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) document required of brokerage houses that outlines the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)'s [finances](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) and officers.

**BDS Statistic**

A statistic based upon the correlation integral which examines the probability that a purely random system could have the same [scaling](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#scaling) properties as the system under study. See: [Correlation Integral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation_integral).

**Boston Exchange Automated Communication Order-Routing Network (BEACON)**

This system permits the automatic [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) based on the current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices on the consolidated [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) at any of the US [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Bear**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who believes a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or the overall [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) will decline. A bear market is a prolonged period of falling stock prices, usually by 20% or more. Related: [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull).

**Bear CD**

A bear [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.d.) pays the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a fraction of any fall in a given [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index).

**Bear hug**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) attempt in which the [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) an exceptionally large [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) over the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [acquiree's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) shares so as to as to squeeze (hug) the [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) into [acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance).

**Bear market**

Any market in which [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) exhibit a declining [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). For a prolonged period, usually falling by 20% or more.

**Bear raid**

In the context of general equities, attempt by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to move the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) opportunistically by selling large numbers of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short). The investors pocket the difference between the initial price and the new, lower price after this maneuver. This technique is illegal under [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rules, which stipulate that every [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) must be on an [uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#up_tick).

**Bear spread**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. [Strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or futures [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) designed to take advantage of a fall in the price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity). A bear spread with call options is created by buying a call option with a certain strike price and selling a call option on the same stock with a lower strike price (with the same expiration date). A bear spread with put options is where an investor buys a put with a high strike price and sells a put with a low strike price. With futures, the investor sells the nearby contract and purchases the next out contract. All of these strategies are designed to profit from a fall in the underlying asset's price.

**Bear trap**

The predicament facing [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) sellers when a [bear market](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_market) reverses its [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) and becomes [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull_market). The [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) continue to sell in anticipation of further declines in price, and [short sellers](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_selling) then are forced to cover at higher prices.

**Bearer bond**

Bonds that are not [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) on the books of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer). Such bonds are held in physical form by the owner, who receives [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) by physically detaching [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) from the bond [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) and [delivering](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) them to the [paying agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paying_agent).

**Bearer form**

Describes issue form of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) not [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) on the [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) books, and therefore payable to its bearer. See also: [Bearer bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bearer_bond); [coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_bond).

**Bearer share**

[Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) not [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_security) on the books of the issuing [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and thus payable to possessor of the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). [Negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable) without [endorsement](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_endorsement) and [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) by [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery), thus avoiding some of the [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) associated with [ordinary shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#ordinary_shares). [Dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) are payable upon presentation of dividend coupons, which are dated or numbered. Applies mainly to international equities.

**Bearish**

Words used to describe [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) attitude. A bearish investor believes that a particular asset or the market as a whole will decline in value.

**Beating the gun**

In the context of general equities, gaining an advantageous price in a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) through a quick response to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) developments.

**Before-tax contributions**

The portion of an employee's salary [contributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to a retirement plan before federal [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) are [deducted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction); this reduces the individual's [gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_income) for federal tax purposes.

**Before-tax profit margin**

The ratio of [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) before taxes to [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales).

**Beggar-thy-neighbor**

An international [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) policy of competitive [devaluations](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#devaluation) and increased protective barriers that one country institutes to gain at the [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) of its trading partners.

**Beggar-thy-neighbor devaluation**

A [devaluation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#devaluation) that is designed to cheapen a nation's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and thereby increase its exports at the [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) of other countries. [Devaluation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#devaluation) can also reduce a nation's imports. Such devaluations often lead to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) wars.

**Behavioral finance**

An important subfield of finance. Behavioral finances uses insights from the field of pyschology and applies them to the actions of individuals in trading and other financial applications.

**Behind**

Used for listed equity securities. At the same price but entered after your [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/[interest,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) such as on the [specialist's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) book. Antithesis of [ahead of you](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ahead_of_you).

**Bell**

Signal on a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) to [indicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) and [close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Bellwether issues**

Related: [Benchmark issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark_issues).

**Below par**

Less than the [nominal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal) or [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Benchmark**

The performance of a predetermined set of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities), used for [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) purposes. Such sets may be based on published [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) or may be customized to suit an [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy).

**Benchmark error**

Use of an inappropriate [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) for the true [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio).

**Benchmark interest rate**

Also called [base interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base_interest_rate), it is the minimum interest rate [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will demand for investing in a non-Treasury security. It is also tied to the [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) on the comparable-[maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) treasury security that was most recently [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) ([on-the-run](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_the_run)).

**Benchmark issue**

Also called [on-the-run](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_the_run) or [current-coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_coupon) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) or [bellwether issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bellwether_issues). In the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market), the benchmark issue is the most recently auctioned [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) issues for each [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Beneath**

Used for listed equity securities. 1) [Behind](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#behind); 2) Lower in price.

**Beneficial Owner**

As used for most purposes under the federal [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) laws. A beneficial owner of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is any person or entity with sole or shared power to vote or dispose of the stock. This [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) definition is intended to include a [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) who enjoys the benefits of ownership although the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) may be held in another name.

**Beneficial ownership**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Person who enjoys the benefits of ownership even though title is in another name. (Abused through the illegal use of a [parking violation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parking_violation).)

**Beneficiary**

Term used to refer to the person who receives the benefits of a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) or the recipient of the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) of a [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) policy.

**Bequest**

Property left to an heir under the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of a [will.](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#living_will)

**Best's rating**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) A.M. Best Co. assigns to insurance companies based on the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) ability to meet its [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to its [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder).

**Best efforts**

A high standard of undertaking, but nevertheless excusable in the event of a [force majeure](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#force_majeure).

**Best-efforts sale**

A method of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution)/[underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) in which the securities firm agrees to sell as much of the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) as possible and return any unsold [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer). As opposed to a [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) or [fixed-price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_price_basis) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or bought deal, in which the underwriter agrees to sell a specific number of shares (and [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) any unsold shares in its own account if necessary).

**Best-interests-of-creditors test**

The requirement that a [claim holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#claimant) voting against a plan of [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) must receive at least as much as if the [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) were [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Beta**

The measure of an [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) in relation to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (for example, the [S&P500](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p)) or to an alternative [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) or [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor). Roughly speaking, a security with a beta of 1.5, will have move, on [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average), 1.5 times the [market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return). [More precisely, that [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) (over and above a [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) money market rate) is expected to move 1.5 times the market [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns)).] According to asset pricing theory, beta represents the type of risk, [systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk), that cannot be [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk) away. When using beta, there are a number of issues that you need to be aware of: (1) betas may change through time; (2) betas may be different depending on the direction of the market (i.e. betas may be greater for down moves in the market rather than up moves); (3) the estimated beta will be biased if the security does not frequently trade; (4) the beta is not necessarily a complete measure of risk (you may need multiple betas). Also, note that the beta is a measure of comovement, not [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility). It is possible for a security to have a zero beta and higher volatility than the market.

**Beta equation (security)**

The market [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of a security is determined as follows: [Regress](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) [excess returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) of stock y on excess returns of the market. The slope coefficient is beta. Define n as number of observation numbers.

Beta=

[(n) (sum of [xy]) ]-[ (sum of x) (sum of y)]/

[(n) (sum of [xx]) ]-[ (sum of x) (sum of x)]

where: n = # of observations (usually 36 to 60 months)

x = rate of [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) for the S&P 500 index

y = rate of return for the security.

Related: [Alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha)

**Biased expectations theories**

Related: [Pure expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pure_expectations_theory).

**Bid**

The price a potential buyer is willing to pay for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Sometimes also used in the context of [takeovers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) where one [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) is bidding for (trying to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)) another corporation. In [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading), we have the [bid-ask spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_asked_spread) which is the difference between what buyers are willing to pay and what sellers are asking for in [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of price.

**Bid away**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) trading. [Bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) from another [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) exists at the same (listed) or higher ([OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)) price.

**Bid-asked spread**

The difference between the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and the [asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) prices.

**Bid bond**

A [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) "performance" [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) consisting of a small percentage (1-3%) of the tender [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) price, refunded to losers once the contract is awarded.

**Bid price**

This is the [quoted](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), or the highest price an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) is willing to pay to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Practically speaking, this is the available price at which an investor can sell [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Related: [Ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask), [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer).

**Bid-to-cover ratio**

The ratio of the number of [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) received in a Treasury security auction compared to the number of accepted bids.

**Bid wanted**

Used in the context of general equities. Announcement that a [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) wants to sell and will entertain [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**Bidder**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or person that wants to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Bidding buyer**

In the context of general equities, a non[aggressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively) buyer who prefers to await a [natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural) seller in the hope of paying a lower price.

**Bidding through the market**

In the context of general equities, [aggressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively) willingness to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market). Contrasts with [bidding buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bidding_buyer).

**Bidding up**

Moving the [bid price](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_price) higher.

**Bifurcation**

When a non-linear [dynamic system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems) develops twice the possible solutions that it had before it passed its critical level. A bifurcation cascade is often called the period [doubling](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#doubling_option) route to [chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos) because the transition from an orderly system to a chaotic system often occurs when the number of possible solutions begins increasing, doubling each time.

**Bifurcation Diagram**

A graph that shows the critical points where [bifurcation](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bifurcation) occurs, and the possible solutions that exist at that point.

**Big Bang**

The term applied to the liberalization in 1986 of the London Stock Exchange (LSE) when [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) was automated.

**Big Board**

A nickname for the [New York Stock Exchange (NYSE)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange). Also known as [The Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#the_exchange). More than 2,000 common and [preferred stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Founded in 1792, the NYSE is the oldest exchange in the United States, and the largest. It is located on Wall Street in New York City.

**Big picture**

To highlight [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) interest due to the size of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Big producer**

A successful [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who generates a large [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission). See [Rainmaker](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rainmaker).

**Big uglies**

Unpopular [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Bilateral Netting**

Bilateral netting - the consolidation of all swap agreements between two counterparties into one master agreement. The result is that if one counterparty bankrupts, that counterparty cannot seek to collect on any swaps that are in-the-money to them while at the same time refusing to pay out on any that are out-of-the-money. Instead, the master agreement sets out that in this event all swaps between the two counterparties will be netted; only then will the bankrupt company receive money, and then only if they are net in-the-money.

**Bill of exchange**

General term for a document demanding payment.

**Bill of lading**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) between an exporter and a transportation [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in which the latter agrees to transport the goods under specified conditions that limit its [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability). It is the exporter's [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) for the goods as well as proof that goods have been or will be received.

**Billing cycle**

The time elapsed between billing periods for [goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) or services rendered.

**Binder**

An amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) paid to [indicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) [good faith](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_faith_deposit) in a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) before the transaction is completed.

**Binomial option pricing model**

An [option pricing](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) model in which the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) can assume one of only two possible, discrete values in the next time period for each value that it can take on in the preceding time period.

**Bi-weekly mortgage loan**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) on which [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments are made every half-month (total of 26 payments) as opposed to monthly payments. This results in earlier loan [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement).

**Black Friday**

A precipitous [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) in a [financial market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) . The original Black Friday occurred on September 24, 1869, when prospectors attempted to corner the gold market.

**Black market**

An illegal market.

**Black Monday**

Refers to October 19, 1987, when the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) fell 508 points on the heels of sharp [drops](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) the previous week. On Monday, October 27, 1997, the Dow dropped 554 points. While the point drop set a new record, the percentage decline was substantially less than in 1987.

**Black-Scholes option-pricing model**

A model for pricing [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) based on [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) arguments. Uses the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price, the [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) price, the [risk-free](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_rate) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), the time to [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration), and the [expected standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the stock [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). Developed by Fischer Black and Myron Scholes in 1973.

**Blank check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that is duly signed, but the amount of the [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) is left blank to be supplied by the drawee.

**Blank check offering**

An [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose business activities are undefined and therefore peculative.

**Blank Check Preferred Stock**

This is stock over which the board of directors has broad authority to determine voting, dividend, conversion, and other rights. While it can be used to enable a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to meet changing financial needs, its most important use is to implement poison pills or to prevent takeovers by placement of this stock with friendly [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Blanket certification form**

See: [NASD form FR-1](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nasd_form_fr_1)

**Blanket fidelity bond**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-required insurance coverage that brokerage firms are required to have in order to cover fraudulent [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by employees.

**Blanket inventory lien**

A [secured loan](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) that gives the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) against all the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**Blanket Mortgage**

A mortgage that covers at least two pieces of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) as collateral for the same mortgage.

**Blanket recommendation**

A recommendation by a brokerage firm sent to all its customers advising that they [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) regardless of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) objectives or [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) size.

**Blind pool**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) that does not announce its intentions as to what properties will be [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer).

**Blind trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in which a [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) third party has total discretion to make [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) on behalf of a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) while the beneficiary is uninformed about the [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of the [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust).

**Blitzkrieg tender offer**

In the context of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover), refers to a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) that is priced so attractively that the tender is completed quickly.

**Block**

Large quantity of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or large dollar amount of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [held](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#held_order) or [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). As a rule of thumb, 10,000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or more of stock and $200,000 or more worth of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) would be described as a block.

**Block call**

In the context of general equities, conference meeting during which customer [indications](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) and orders, along with the [traders'](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) own [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell preferences, are conveyed to the entire organization. See [block list](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_list).

**Block house**

Brokerage firms that help to find potential [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sellers of large [block trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade).

**Block list**

In the context of general equities, listing of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) the [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) is looking for (wants to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)) or (wants to sell) at the beginning of the day, whether on an [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis).

**Block trade**

A large [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), defined on the [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) as an order that consists of 10,000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a given [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or at a total [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of $200,000 or more.

**Block trader**

A [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who will take a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in the [block trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) to accommodate customer [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sellers of [blocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block). See: [Dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker), [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Block voting**

Describes a group of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) banding together to vote their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a single [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block).

**Blocked currency**

A [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that is not freely convertible to other [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) due to [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [controls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control).

**Blocked funds**

[Cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) generated by a foreign project that cannot be immediately repatriated to the [parent firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) because of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) flow restrictions imposed by the host government.

**Blow-off top**

A steep and rapid increase in price followed by a steep and rapid [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop). This is an [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) seen in charts and used in [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Blowout**

The rapid [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of all [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings). See: hot issue.

**Blue list**

Daily financial publication featuring [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) by [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and banks that represent billions of dollars in [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). Also available on-line at www.bluelist.com.

**Blue-chip company**

Used in the context of general equities. Large and [creditworthy](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). Company renowned for the quality and wide [acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance) of its products or services, and for its ability to make [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) and pay [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). [Gilt-edged security](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gilt_edged_securities).

**Blue chip stocks**

[Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of well-known [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with a history of growth and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments.

**Blue-sky laws**

State laws covering the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Bo Derek stock**

High quality [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Board broker**

Employee of the [Chicago Board Options Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_board_options_exchange) who manages [away from the market](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#away_from_the_market) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), which cannot be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) immediately.

**Board of Directors**

Individuals elected by the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) who carry out certain tasks established in the [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter).

**Board of Governors of the Federal Reserve System**

The managing body of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system), which sets policies on bank practices and the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Board room**

A room at a brokerage firm where its clients can watch an electronic board displaying [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices and [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). Also refers to the room where [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) meetings take place.

**Bogey**

The return an investment manager is compared to for [performance evaluation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_evaluation).

**Boiler room**

Used to describe place or operation in which unscrupulous salespeople call and try to sell people speculative, even fraudulent [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Boilerplate**

Standard [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) and conditions.

**Bollinger Bands**

Plus or [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) two standard deviations where the standard deviations are calculated historically in a moving window estimation. Hence, the bands will widen if the most recent data is more [volatile](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility). If the prices break out of the band, this is considered a significant move.

**Bolsa**

Spanish for [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Bolsa de Commercio de Santiago (SSE)**

Chile's preeminent [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Bolsa de Valores de Rio de Janeiro (BVRJ)**

Brazil's second-largest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Bolsa de Valores de Sao Paulo (BOVESPA)**

The largest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Brazil.

**Bolt**

Used for listed equity securities. [Block trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) version of [COLT](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#colt).

**Bombay Stock Exchange (BSE)**

See: [National Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_stock_exchange); Mumbai [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Bond**

Bonds are [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) for a period of more than one year. The US government, local governments, water districts, [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and many other types of institutions sell bonds. When an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) bonds, he or she is [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). The seller of the bond agrees to repay the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) at a specified time. Interest-bearing bonds pay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) periodically.

**Bond agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for privately placed [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Bond anticipation note (BAN)**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) issued by a state or [municipality](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) against the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) of an upcoming [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Bond broker**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) or in the over-the-counter market (OTC) who [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Bond Buyer**

A daily publication featuring many essential statistics and [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) figures relevant to the [fixed income markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_market).

**Bond Buyer's municipal bond index**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) price tracking [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) published daily by the [Bond Buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_buyer).

**Bond counsel**

An attorney who prepares the [legal opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legal_opinion) concerning a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Bond covenant**

A [contractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) provision in a [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture). A [positive covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#positive_covenant) requires certain actions, and a [negative covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_covenant) limits certain actions.

**Bond crowd**

Members of the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) who transact [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Bond discount**

The difference by which a [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) is lower than its [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value). The antithesis of a [bond premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_premium), which prevails when the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is higher than its [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value). See: [Original issue discount](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#original_issue_discount_debt).

**Bond-equivalent basis**

The method used for computing the [bond-equivalent yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_equivalent_yield).

**Bond equivalent yield**

[Bond yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equivalent_bond_yield) calculated on an [annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate) method. Differs from [annual effective yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_effective_yield).

**Bond fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that emphasizes income—consistent with [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), rather than growth—by investing in corporate, municipal, or US government [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), or some combination of them.

**Bond indenture**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that sets forth the promises of a bond [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the rights of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Bond indexing**

Designing a bond [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) so that its performance will match the performance of some [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Bond market association**

An international trade association of [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and banks in US government and federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), municipal securities, [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities), and [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) securities.

**Bond mutual fund**

A mutual fund which primarily or exclusively holds [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Bond of Indemnity**

An insurance policy that [indemnifies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indemnify) the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), the shareholder and the [Transfer Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) against any and all claims arising from the replacement by the Transfer Agent of [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) lost or stolen.

**Bond points**

A conventional [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of measure for [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) prices set at $1 and equivalent to 1% of the $100 face value of the bond. A price of 80 means that the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is selling at 80% of its face or [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Bond power**

A form used in the [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of [registered bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_bond) from one owner to a different owner.

**Bond premium**

See: [Bond discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_discount)

**Bond rating**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) based on the possibility of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) by a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer). The [ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) range from AAA (highly unlikely to default) to D (in default). See: [Rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings), [investment grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds).

**Bond ratio**

The percentage of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) represented by [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). The ratio is calculated by dividing the total bonds due after one year by that same figure plus all other [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). See: [Debt-to-equity-ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_equity_ratio).

**Bond swap**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of one [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of another [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) simultaneously. See: [Swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap); swap order.

**Bond value**

With respect to [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond), the value the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) would have if it were not convertible. That is, the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the value of the [conversion](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion) option.

**Bondholder**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) often has [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) and bondholders. In a [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation), the bondholders have first priority.

**BONDPAR**

A system that monitors and evaluates the performance of a fixed income [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), as well as the individual [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held in the portfolio. BONDPAR decomposes the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) into the elements beyond the manager's [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control)--such as the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) environment and client-imposed [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) policy constraints--and those that the [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) process contributes to, such as interest rate management, sector/quality allocations, and individual [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) selection.

**Bonds Enabling Annual Retirement Savings (BEARS)**

[Holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of BEARS receive the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), which is [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) by CUBS (an acronym for Calls Underwritten by Swanbrook). If the [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) are exercised by CUBS, BEARS holders receive the total of the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Bon voyage bonus**

See: [Greenmail](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#greenmail).

**Boning**

Charging a lot more for an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) than its worth.

**Book**

A banker or [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Book cash**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [cash balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_cash_balance) as reported in its [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement). Also called ledger [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#ledger_cash).

**Book to market**

The ratio of [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) to [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). A high ratio is often interpreted as a value stock (the market is valuing equity relatively cheaply compared to book value). This is the same as a low [price-to-book value ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_book_ratio). Value managers often form [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with high [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) to market values.

**Book profit**

The cumulative [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) income plus any gain or loss on disposition of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Book runner**

The managing [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) for a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). The book runner maintains the [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold.

**Book to bill**

The book-to-bill ratio is the ratio of orders taken ([booked](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book)) to products shipped and bills sent (billed). The ratio measures whether the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) has more orders than it can [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) (>1), equal amounts (=1), or less (<1). This ratio is of significant interest to [investors/](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) in the high-technology sector.

**Book value**

A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [intangible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), such as [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) value might be higher or lower than its [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Book value per share**

The ratio of [stockholder equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity) to the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares). [Book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) value per share should not be thought of as an indicator of economic worth, since it reflects accounting [valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#valuation) (and not necessarily [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) valuation).

**Book-Entry**

[Registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) ownership of stock without the issuance of a [corresponding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) [stock certificate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_certificate), as is the case with dividend reinvestment and direct [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) plans, employee plans and [Direct Registration System](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#direct_registration_system) issuances. Periodic statements of ownership are issued instead of certificates.

**Book-entry securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) which are not represented by paper [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) but are maintained in computerized records at the [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) in the names of [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank), which in turn keep computer records of the securities they own as well as those they are [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) for customers. In the case of other securities where a [book-entry](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_entry_securities) has developed, certificates reside in a central [clearinghouse](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) or are held by another [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent). These securities do not move from holder to holder.

**Bootstrap**

Term used to describe the start-up of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with very little [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Bootstrapping**

Creating a theoretical [spot rate curve](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate_curve) using one [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) projection as the [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) for the yield of the next [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Bootstrapping follows the work of Efron. It involves a Monte Carlo approach.

**Borrow**

To obtain or receive [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) on [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) with the promise or understanding that it will be repaid.

**Borrowed reserves**

Funds [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from a [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_bank) by [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) to maintain the required [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) ratios.

**Borrower fallout**

In the [mortgage pipeline](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline), the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that prospective [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) committed to be closed will elect to withdraw from the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Bot**

Shorthand for bought. Antithesis of SL, meaning sold.

**Bottom**

Refers to the [base](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base) [support](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support) level for [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of any type. Also used in the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to refer to the lowest market price of a security during a specific time-frame.

**Bottom fisher**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) seeking [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that have fallen to prices at or near their bottom, which he or she believes will [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) up in the future.

**Bottomline growth**

Growth in net [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Also see topline growth.

**Bottom-up equity management style**

A [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) style that de-emphasizes the significance of economic and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cycles), focusing instead on the analysis of individual [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Bought deal**

[Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in which one or two [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the entire issue. Also known as a guaranteed or fixed-price sale; opposite of a best-efforts sale.

**Bounce**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) returned by a bank because it is not payable, usually because of insufficient funds. Also used in the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to refer to the rejection and ensuing [reclamation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reclamation) of a security; a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price's abrupt decline and recovery.

**Bourse**

French for a [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Boutique**

A small, specialized brokerage [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) limited services and products to a limited number of clients. Antithesis of [financial supermarket](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_supermarket).

**Box**

The actual physical location at a brokerage house or bank where [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or other documents are stored for safekeeping. Alternatively, a [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) machine or battery march. Also known as 'the cage.'

**Box spread**

This strategy refers to a type of [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) in which both a [bull spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull_spread) and a [bear spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_spread) are implemented for an almost-[riskless](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position). One [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) is implemented using [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) and the other is implemented with [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable). The spreads may both be debit spreads (call [bull spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull_spread) vs. put [bear spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_spread)) or both [credit spreads](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_spread) (call bear spread vs. put bull spread).

**Bracket**

A [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) signifying the extent of an [underwriter's](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) commitment in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), e.g., major bracket or minor bracket.

**Bracket creep**

The gradual movement into higher [tax brackets](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_bracket) when incomes increase as a result of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Brady bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [emerging countries](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets) under a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) reduction plan.

**Branch**

An operation in a foreign country [incorporated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#incorporation) in the home country.

**Breadth**

The percentage of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [advancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advance) relative to those unchanged or declining. Also the number of independent [forecasts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) available per year. A stock picker forecasting returns to 100 stocks every [quarter](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) exhibits a breadth of 400, assuming each forecast is independent (based on separate information).

**Breadth of the market**

In the context of general equities, percentage of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) participating in a particular [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) move. [Technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts) say there was significant breadth if two-thirds of the stocks listed on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) move in the same direction during a [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) session. See: [A/D line](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ad).

**Break**

A rapid and sharp price decline. Related: [Crash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crash).

**Break even**

The reduction of a project's [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) to zero by altering an input variable such as price or [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Break price**

Used in the context of general equities. Change one's [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) or [bid prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_price) to move to a more realistic, [tight](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tight) level where [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) is more feasible. Often done to trim one's [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), thus "breaking price" from where the [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) occurred (if [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long), "break price" downward by a certain amount).

**Break-even analysis**

An analysis of the level of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) at which a project would make zero [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Break-even lease payment**

The [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) payment at which a party to a prospective lease is indifferent between entering and not entering into a lease arrangement.

**Break-even payment rate**

The prepayment rate of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) that will produce the same cash flow yield (CFY) as that of a predetermined [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) MBS coupon. Used to identify for [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) higher than the benchmark coupon the prepayment rate that will produce the same cash flow yield (CFY) as that of the benchmark coupon; and for coupons lower than the benchmark coupon the lowest [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) rate that will do so.

**Break-even point**

Refers to the price at which a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) produces neither a [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) nor a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). In the context of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), the term has the additional definitions:   
1. [Long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) and [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [uncovered calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uncovered_call): [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) plus [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).   
2. [Long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [uncovered puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uncovered_put): [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).   
3. [Short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) covered [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call): [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price of underlying stock minus [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).   
4. [Short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) covered by [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock): [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) price of [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) plus [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Break-even tax rate**

The [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) at which a party to a prospective [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) is indifferent between entering into and not entering into the transaction.

**Break-even time**

Related: [Premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) [payback](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payback) period.

**Breaking the syndicate**

Terminating an agreement among [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter), specifically the [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) group assembled to underwrite the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Breakout**

A rise in a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) price above a [resistance level](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resistance_level) (commonly its previous [high price](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_price)) or a [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) below a level of [support](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support_level) (commonly the former [lowest price](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#low_price).) A breakout is taken to signify a continuing move in the same direction. Can be used by [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts) as a [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell indicator.

**Breakpoint**

For [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), the point at which the amount invested reduces the sales charge is called the "breakpoint." Each mutual fund may have several breakpoints; the larger the investment, the greater the discount. Note that the actual reduction in the sales charge is known as the "breakpoint discount". Also, the term "breakpointing" is sometimes used to refer to the offering of breakpoint discounts. The practice of soliciting mutual fund purchases just below the breakpoint (to earn more commissions) is considered unethical and in violation of NASD rules. See: right of [accumulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right_of_accumulation).

**Breakpoint Sale**

For [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), this refers to the practice of soliciting mutual fund purchases just below the [breakpoint](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#breakpoint) (to earn more commissions). The practice is considered unethical and in violation of NASD rules.

**Breakup value**

See: [Private market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_market_value).

**Breeden, Douglas T.**

Inventor of one of the foundational [asset pricing models](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_pricing_model) in [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), the consumption based [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model). Chairman of Smith Breeden Associates, and Dean of the Fuqua School of Business.

**Bretton Woods Agreement**

An agreement signed by the original United Nations members in 1944 that established the [International Monetary Fund (IMF](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_fund)) and the post-World War II international monetary system of [fixed exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_exchange_rate).

**Bridge financing**

[Interim financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interim_financing) of one sort or another used to solidify a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) until more permanent financing is arranged.

**"Bring it out"**

In the context of general equities, "make [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) available for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)."

**British clearers**

The large [clearing banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_corporations) that dominate deposit taking and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) in the domestic sterling [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Broad-Base**

Generally referring to an index, it [indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that the index is composed of a sufficient number of stocks or of stocks in a variety of [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) groups. See also: [Narrow-Based](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#narrow_based).

**Broad Market**

Usually refers to indices such as the Wilshire 5000 that track the performance of 5,000 [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), rather than the more narrow measures such as the Dow Jones Industrial Average and the S&P 500.

**Broad tape**

An expanded version of the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape), which is displayed on a screen in the [board room](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_room) of a brokerage firm and shows constantly updated [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) information and news.

**Broken up**

Used for listed equity securities. Prevented from [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) (committed to [upstairs](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#upstairs_market)) due to exchange [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) rules excluding one's [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) (e.g., higher [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/lower [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) on [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor), [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) to satisfy).

**Broker**

An individual who is paid a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) for [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) customer orders. Either a [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) who [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), or an upstairs [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who handles retail customers and their orders. Also, person who acts as an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) between a buyer and seller, usually charging a commission. A "broker" who specializes in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), or [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) acts as an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) and must be [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) with the exchange where the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Antithesis of [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Broker-dealer**

Any person, other than a bank, engaged in the business of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on its own behalf or for others. See: [Dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Broker loan rate**

Related: [Call money rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_money_rate).

**Brokered CD**

A [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) issued by a bank or [thrift institution](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#thrift_institution) bought by a brokerage firm in bulk for the purpose of reselling to brokerage customers. A broker [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.d.) features a higher [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), usually 1% higher, and are [FDIC](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.d.i.c.) insured and do not usually have [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Brokered market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) search services to [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sellers.

**Brokers' loans**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) borrowed by brokers from banks for uses such as financing specialists's [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) of stock, financing the underwriting of new [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of corporate and municipal [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), and financing customer [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) accounts.

**Brought over the wall**

Compelling a research [analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) of an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) to work in the [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) department for a corporate client, therefore allowing for the transmission of [insider](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) information. Also called "Over the Chinese wall".

**Brussels Stock Exchange (BSE)**

[Stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) that handles the majority of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in Belgium.

**Bubble theory**

A theory under which [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices sometimes move wildly above their true values, or the price falls sharply until the "bubble bursts". It is also possible for a bubble to deflate gradually.

**Budget**

A detailed pro forma schedule of financial activity, such as an advertising budget, a [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) budget, or a [capital budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budget).

**Budget authority**

Broad responsibility conferred by Congress that empower government [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) to spend [federal funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds). Congress can specify criteria for the spending of these funds. For example, it may stipulate that a given agency must spend within a specific year, number of years, or any time in the future.

The basic forms of budget authority are; [appropriations](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appropriation_request), authority to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) authority, and authority to [obligate](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) and expend [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) and [collections](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection). The period of time during which Congress makes funds available may be specified as one-year, multiple years or no year. The available amount may be classified as either definite or indefinite; a specific amount or an unspecified amount can be made available. Authority may also be classified as current or permanent. Permanent authority requires no current action by Congress.

**Budget deficit**

The amount by which government spending exceeds government revenues.

**Buck**

Slang for one million dollars.

**Bucket shop**

An illegal brokerage firm that accepts customer [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) but does not attain immediate [executions](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution). A bucket shop [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) promises the customer a certain price, but waits until a price discrepancy is present and the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is advantageous to the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) and then keeps the difference as [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Alternatively, the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) may never fill the customer's [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) but keep the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Budapest Stock Exchange**

Established in 1864, the major securities [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) of Hungary.

**Budget surplus**

The amount by which government revenues exceed government spending.

**Buenos Aires Stock Exchange (Bolsa de Comercio de Buenos Aires)**

Argentina's major [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Build a book**

In the context of general equities, develop customer [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to gather demand/supply in order to make a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer). Also refers to a commissioned salesperson amassing a 'book' of regular clients.

**Build Own Transfer**

The transfer of a project back to the party granting the concession, either with or at no [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Builder buydown loan**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) on newly developed property that the builder [subsidizes](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) during the early years of the development. The builder uses [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to buydown the [mortgage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_rate) to a lower level than the prevailing [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) rate for some period of time. The typical [buydown](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buydown) is 3% of the interest rate amount for the first year, 2% for the second year, and 1% for the third year (also referred to as a 3-2-1 buydown).

**Builders' All Risk**

A standard construction insurance package.

**Bulge**

A short-lived [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price increase. Synonymous with [bubble](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bubble_theory).

**Bulge bracket**

A tier of [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in an [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate) that have the highest participation level. See: [Mezzanine bracket](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mezzanine_bracket).

**Bull**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who thinks the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) will rise. Related: [Bear](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear).

**Bull-bear bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) repayment is linked to the price of another [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The bonds are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in two [tranches](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche): In the first tranche repayment increases with the price of the other security, and in the second tranche repayment decreases with the price of the other security.

**Bull CD**

A [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) pays its [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a specified percentage of the increase in return on a specified [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) while [guaranteeing](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a minimum [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return).

**Bull market**

Any [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) are in an upward [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Bull spread**

A [spread strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread_strategy) used in options and futures trading that is designed to capitalize on expected price appreciation. A bull spread using call options is created by buying a call option on an asset with a certain strike price and selling a call option on the same asset with a higher strike price (same expiration date). A bull spread with put options is created by buying a put option with a low strike and selling a put option with a high strike price (same expiration date). Less frequently, the bull spread is implemented by buying the nearby futures contract and selling the next out contract.

**Bulldog bond**

Foreign [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) made in London.

**Bulldog market**

The [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in the United Kingdom.

**Bullet**

A one-time repayment, often after little or no [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). See: [Balloon Payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balloon_payment).

**Bullet contract**

A [guaranteed investment contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guaranteed_investment_contract) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) with a single (one-shot) [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium). Related: [Window contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#window_contract).

**Bullet loan**

A bank [term loan](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_loan) that calls for no [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization).

**Bullet strategy**

A fixed income [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is constructed so that the [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of its [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are highly concentrated at one point on the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve).

**Bullion coins**

Metal coins consisting of gold, silver, platinum, or palladium that are [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Some examples include the American eagle and the Canadian maple leaf. Their price is directly connected to the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) price of their metal.

**Bullish**

Word used to describe an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor)'s attitude. Bullish refers to an optimistic outlook, while bearish means a pessimistic outlook.

**Bump-up CD**

A [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) granting the owner the right to increase its [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) one time for the remaining [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.d.). The power is [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) by the owner in the event of an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) hike.

**Bunching**

Describes the act of [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) combining [round-lot orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot) for [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the same time. Bunching can also be used to combine [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) orders to save the [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) differential for customers. Also used to refer to the [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape) when a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for a security appear consecutively.

**Bundling, unbundling**

Creation of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) either by combining [primitive](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primitive_security) and [derivative securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_security) into one composite [hybrid](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hybrid) or by separating returns on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) into [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class).

**Bureau of Labor Statistics (BLS)**

A research [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) of the U.S. Department of Labor; it compiles statistics on hours of work, [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) hourly [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), employment and unemployment, consumer prices and many other variables.

**Burn rate**

Used in [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) financing to refer to the rate at which a startup [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) expends [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [overhead](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overhead) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) prior to the generation of positive [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Burnout**

Depletion of a [tax shelter's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) benefits. In the context of [mortgage backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) it refers to the percentage of the [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) that has prepaid their [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Business combination**

See: [Merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger)

**Business Combination laws**

These laws impose a moratorium on certain kinds of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) (e.g., asset [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), mergers) between a large [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) and the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) for a period usually ranging between three and five years after the shareholder's stake passes a pre-specified (minority) threshold. These laws are in place in more than half the U.S. states.

**Business cycle**

Repetitive [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) of economic [expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion) and contractions. The official [peaks](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#peak) and troughs of the US cycle are determined by the National Bureau of Economic Research in Cambridge, MA.

**Business day**

A day in which [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) are [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Business failure**

A business that has terminated operations with a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor).

**Business risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) of an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) will be impaired because of adverse economic conditions, making it difficult for the issuer to meet its [operating expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_fund_operating_expenses).

**Business segment reporting**

[Reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) the results of the separate divisions or [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of a business.

**Busted convertible**

Related: [Fixed income equivalent](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_equivalent). Mainly applies to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) selling essentially as a [straight](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straight) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Assuming the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) is "money good," or will continue to meet [credit obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_faith_and_credit_obligations), such [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) can be highly attractive since the price makes virtually no allowance for the bond's call on the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), when most such issues usually carry [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Bust-up takeover**

A [leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout) in which the buyer sells off the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to repay the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Butterfly**

In the context of equities, a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with two divisions may split into two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) original [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) two [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) (one in each of the new [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company)) for every old share they have.

**Butterfly shift**

A [nonparallel shift in the yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#non_parallel_shift_in_the_yield_curve) involving the height of the curve.

**Butterfly spread**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. Complex [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves buying a call option with a relatively low strike price; buying a call option with a relatively high strike price; and selling two call options with an intermediate strike price. Essentially, this is a [bear call spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_spread) stacked on top of a [bull call spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull_spread). One can also do this with puts. The investor buys a put with a low strike, buys a put at high strike and sells two puts at intermediate strike price. The [payoff diagram](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payoff_diagram) resembles the shape of a butterfly.

**Buy**

To [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset); taking a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position).

**Buy-and-hold strategy**

A passive [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy) with no [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) from the time the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is created until the end of the investment horizon. Opposite of active strategy.

**Buy-and-write strategy**

An [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that calls for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and the writing of [covered call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_call) on them.

**Buy the book**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) typically from a large [institutional investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) all the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) available at the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) from the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) and other [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) at the current [offer price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price). The [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) refers to the record a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) kept before the advent of computers.

**Buydown**

A [lump sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) payment made to the [creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) by the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or by a third party to reduce the amount of some or all of the consumer's periodic payments to repay the indebtedness.

**Buy hedge**

See: [Long hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_hedge)

**Buy in**

To cover, [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset), or [close out](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_out) a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position). Related: [Evening up](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evening_up), [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Buy limit order**

A conditional [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that [indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) may be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) only at the designated price or lower. Related: [Sell limit order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_limit_order).

**Buy minus order**

In the context of general equities, rare [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) amount of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), provided that the price to be obtained is not higher than the last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) if the last sale is a [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) or [zero-minus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_minus_tick), and is not higher than the last sale [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the minimum fractional change in the stock if the last sale is a plus or [zero-plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_plus_tick). (If limit, then the [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) cannot occur above the limit, regardless of [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick).)

**Buy on the bad news**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) shortly after a price [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) resulting from bad news from the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) believe that the price has hit bottom and will [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) upward. See: [Bottom fisher](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bottom_fisher).

**Buy on close**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) at the end of the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) session at a price within the [closing range](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_range).

**Buy on margin**

[Borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), using the shares themselves as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral).

**Buy on opening**

Buying at the beginning of a trading session at a price within the opening range.

**Buy order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a specific quantity of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Buy-side analyst**

A financial analyst employed by a nonbrokerage firm, typically one of the larger [money management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_management) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on its own account.

**Buy stop order**

A [buy order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) not to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) until the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) rises to the [stop price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_out_price). Once the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) has broken through that price, the [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) is then treated as a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order). Also known as a suspended market order. Often used to protect against loss on a short sale.

**"Buy them back"**

Used for listed equity securities. "[Cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_option) my [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position).

**Buy write**

See also [Covered Call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_call).

**Buyback**

The covering of a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) position by [purchasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), usually resulting from the [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity). See: [Short covering](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_covering), [stock buyback](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_buyback). Also used in the context of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of corporate bonds by the issuing [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) in the [open market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_market_operation). Also used in the context of [corporate finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_finance). When a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) elects to repurchase some of the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the market.

**Buydown**

[Mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) in which monthly payments consist of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest). During the early part of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), portions of these payments are provided by a third party to reduce the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) monthly payments. In the context of project financing, refers to a one-time payment out of [liquidated damages](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidated_damages) to reflect [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from sustained underperformance.

**Buyer credit**

A financing provided to a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to pay for the supply of goods or services usually by an exporting country or by the supplier [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Buyer's market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which the supply exceeds the demand, creating lower prices. Antithesis of [seller's market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sellers_market).

**Buyers/sellers on balance**

Used for listed equity securities. [Indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that at a given time (usually before the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) of a stock [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or at [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) time), there are more buyers than sellers in the marketplace, usually with [market orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order). See: [Imbalance of orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#imbalance_of_orders).

**Buying climax**

A rapid rise in the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) resulting from heavy [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), which usually creates the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) condition for a rapid fall in the price.

**Buying the index**

[Purchasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 in the same proportion as the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) to achieve the same [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Buying power**

The amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) available to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), determined by adding the [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) held in brokerage [accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) and the amount that could be spent if [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) were [margined](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) to the limit.

**Buyout**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) (or percent of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares)) of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). A [leveraged buy out](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout) is effected with [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Bylaws**

Rules and practices that govern [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of an organization.

**Bylaw Amendment Limitations**

These provisions limit shareholders' ability to amend the governing documents of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). This might take the form of a supermajority vote requirement for [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) or bylaw amendments, [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) elimination of the ability of shareholders to amend the bylaws, or the ability of directors beyond the provisions of state law to amend the bylaws without shareholder approval.

**Bypass trust**

An [irrevocable trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#irrevocable_trust) that is designed to pay trust income (and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), if needed) to an individual's spouse for the duration of the spouse's lifetime. The bypass trust is not part of the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) spouse's estate and is not subject to federal [estate taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax) upon his/her death.

**C**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock descriptor specifying that [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is exempt from Nasdaq listing requirements for a temporary period.

**CA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CANADA.

**CAD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Canada Dollar.

**CADS**

See [Cash Available for Debt Service](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_available_for_dedt_service).

**CAGR**

See: [Compound Annual Growth Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_annual_growth_rate)

**CAMPS**

See: [Cumulative Auction Market Preferred Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_auction_market_preferred_stocks)

**Capex**

See: [Capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures)

**CAPM**

See: [Capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model)

**CAPS**

See: [Convertible adjustable preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_adjustable_preferred_stock)

**CARs**

See: [Certificates of Automobile Receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificates_of_automobile_receivables)

**CARDs**

See: [Certificates of Amortized Revolving Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificates_of_amortized_revolving_debt)

**CATS**

See: [Certificate of Accrual on Treasury Securities (CATS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_accrual_on_treasury_securities)

**CAX**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Canadian Cent.

**CBD**

See: [Cash In Advance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_in_advance).

**CBO**

See: [Collateralized Bond Obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_bond_obligation).

**CBOE**

See: [Chicago Board Options Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_board_options_exchange)

**CC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COCOS (KEELING) ISLANDS.

**CCO**

Chief Compliance Officer.

**CCO**

Colateralized Commodity Obligation.

**CD**

See: [Certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit)

**CD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CONGO, THE DEMOCRATIC REPUBLIC OF.

**CDN**

See: [Canadian Dealing Network](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#canadian_dealing_network)

**CDO**

See: [Collateralized Debt Obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_debt_obligation).

**CEC**

See: [Commodities Exchange Center](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodities_exchange_center)

**CF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CENTRAL AFRICAN REPUBLIC.

**CFAT**

[Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) after taxes.

**CFAT**

See: [Cash flow after taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow_after_interest_and_taxes)

**CFC**

See: [Controlled foreign corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#controlled_foreign_corporation)

**CFR**

See: [Cost and Freight](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_and_freight)

**CFTC**

See: [Commodity Futures Trading Commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity_futures_trading_commission)

**CG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for The Congo.

**CH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SWITZERLAND.

**CHAP**

See: [Clearing House Automated Payments System](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_house_automated_payments_system)

**CHESS**

See: [Clearing House Electronic Subregister System](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_house_electronic_subregister_system)

**CHF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Swiss Franc.

**CHIPS**

See: [Clearing House Interbank Payments System](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_house_interbank_payments_system)

**CI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COTE D'IVOIRE.

**CIF**

See: [Cost Insurance and Freight](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_insurance_and_freight)

**CK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COOK ISLANDS.

**CL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CHILE.

**CLF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Chile Unidades de Fomento.

**CLO**

See: [Collateralized Loan Obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_loan_obligation).

**CLP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Chilean Peso.

**CM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CAMEROON.

**CMBS**

See: [Commercial Mortgage Backed Securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_mortgage_backed_securities)

**CME**

See: [Chicago Mercantile Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange)

**CML**

See: [Capital market line](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market_line)

**CMO**

See: [Collateralized mortgage obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation)

**CMTA**

See: [Clearing Member Trade Agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_member_trade_agreement)

**CN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CHINA.

**CNY**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Chinese Renminbi (Yuan).

**CO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COLOMBIA.

**COP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Colombian Peso.

**CDC**

See: Commonwealth Development Corp

**CPT**

See: [Carriage Paid To](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carriage_paid_to)

**CR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COSTA RICA.

**CRB**

See: [Commodity Research Bureau.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity_research_bureau)

**CRC**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Costa Rican Colon.

**CTA**

See: [Cumulative Translation Adjustment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_translation_adjustment_account). Also refers to [Commodity Trading Advisor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity_trading_advisor).

**CU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CUBA.

**CUP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Cuban Peso.

**CUSIP**

See: [Committee on Uniform Securities Identification Procedures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#committee_on_uniform_securities_identification_procedures)

**CV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CAPE VERDE.

**CVE**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Cape Verde Islands Escudo.

**CX**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CHRISTMAS ISLAND.

**CY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CYPRUS.

**CYP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Cyprus Pound.

**CZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CZECH REPUBLIC.

**CZK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Czech Republic Koruna.

**Cabinet crowd**

[NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) members who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a low daily traded [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume). See: [Automated Bond System](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_bond_system).

**Cabinet security**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) listed on a major [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) with low daily [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume).

**Cable**

[Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between British pound sterling and the U.S. dollar.

**CAC 40 index**

A broad-[based](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) composed of 40 of the 100 largest [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) listed on the forward segment of the official list of the [Paris Bourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paris_bourse).

**Cage**

A section of a brokerage [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) used for receiving and disbursing funds.

**Calendar**

List of new [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) scheduled to come to market shortly.

**Calendar effect**

Describes the tendency of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to perform differently at different times. For example, a number of researchers have documented that historically, returns tend to be higher in January compared to other months (especially February). Others have documented returns patterns across days of the week and within the day. Some of these patterns are found in volume and [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) as well as returns.

**Calendar spread**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which there is a simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of the same class at the same [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price), but with different [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Calendar Straddle or Combination**

See [Calendar Spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#calendar_spread).

**Call**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that gives the holder the right to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) asset.

**Call date**

A date before [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), specified at [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), when the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) may [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) part of the bond for a specified [call price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_price).

**Call feature**

Part of the [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture) agreement between the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) describing the schedule and price of [redemptions](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) prior to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Call loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) repayable on demand. Sometimes used as a synonym for broker loan or broker overnight loan.

**Call loan rate**

See: [Call money rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_money_rate)

**Call money rate**

Also called the [broker loan rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker_loan_rate) , the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rate that banks charge [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). The broker charges the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) the [call money rate plus](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_money_rate) a service charge.

**Call option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that gives its holder the right (but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation)) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a specified number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the given [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price), on or before the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Call an option**

To [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) option.

**Call premium**

[Premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) in price above the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or share of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that must be paid to holders to [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) the bond or share of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) before its scheduled [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Call price**

The price, specified at [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), at which the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) may [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) part of the bond at a specified [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date).

**Call protection**

A feature of some [callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that establishes an initial period when the bonds may not be [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Call provision**

An [embedded option](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#embedded_option) granting a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) the right to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back all or part of an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) prior to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Call risk**

The combination of [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) uncertainty and [reinvestment risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_risk) introduced by a [call provision](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_provision).

**Call swaption**

A [swaption](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swaption) in which the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) has the right to enter into a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) as a [fixed-rate payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_payer). The [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) therefore becomes the fixed-rate receiver/[floating-rate payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_payer).

**Callability**

Feature of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that allows the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prior to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) by [calling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) it in, or forcing the holder to sell it back.

**Callable**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Redeemable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) before the scheduled [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) under specific conditions and at a [stated price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value), which usually begins at a premium to [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par) and declines annually. Bonds are usually [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) when interest rates fall so significantly that the issuer can save [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) by issuing new bonds at lower rates.

**Called away**

Convertible: [Redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) before [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).  
Option: [Call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) or [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) against the [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder).  
[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale): [Delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) required on a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Cumulative Auction Market Preferred Stocks (CAMPS)**

Stands for Cumulative Auction Market Preferred Stocks, Oppenheimer & Company's Dutch Auction [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) product.

**Canadian agencies**

[Agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) banks established by Canadian Banks in the U.S.

**Canadian Dealing Network (CDN)**

The organized [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market of Canada. Formerly known as the Canadian Over-the-Counter Automated Trading System (COATS), the CDN became a [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of the [Toronto Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#toronto_stock_exchange) in 1991.

**"Can get $xxx"**

Refers to over-the-counter trading. "I have a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) who will pay $xxx for the stock". Usually a standard markdown from $xxx is applied to this price in [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) the seller for its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Antithesis of [cost me](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_me).

**Cancel**

To void an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell from (1) the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor), or (2) the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders)/salesperson's scope. In [Autex,](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex) the [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) still remains on record as having once been placed unless it is [expunged.](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expunge)

**Canceled Certificates**

Before the [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a new [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), the old certificate is presented to the [Transfer Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) and is [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**"Cannot compete"**

In the context of general equities, cannot accommodate customers at that price level (i.e., compete with other [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker)), often because there is no [natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural) opposite side of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**"Cannot complete"**

In the context of general equities, inability to [finish](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finish) an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) on a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) or [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) basis, given prevailing price instructions and/or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions.

**Cap**

An upper limit on the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on a [floating-rate note (FRN)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) or an [adjustable-rate mortgage (ARM)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_mortgage). Also, an OTC derivatives contract consisting of a series of European interest rate call options; used to protect an issuer of floating-rate debt from interest rate increases. Each individual call option within the cap is called a caplet. Opposite of a floor.

**Capacity**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [grantors'](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) measurement of a person's ability to repay [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Capacity utilization rate**

The percentage of the economy's total plant and equipment that is currently in production. Usually, a decrease in this percentage signals an economic slowdown, while an increase signals economic [expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion).

**Capital**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Capital account**

Net result of [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and private international [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and [lending activities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lending_agreement).

**Capital allocation decision**

Allocation of [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) funds between [risk-free assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset) and the [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Capital appreciation**

See: [Capital growth](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_growth)

**Capital appreciation fund**

See: [Aggressive growth fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressive_growth_mutual_fund)

**Capital asset**

A [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as land or a building, not [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or sold in the normal course of business.

**Capital asset pricing model (CAPM)**

An economic theory that describes the relationship between [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and [expected return,](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) and serves as a model for the pricing of [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The CAPM asserts that the only risk that is priced by rational [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) is [systematic risk,](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) because that risk cannot be eliminated by [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification). The CAPM says that the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is equal to the rate on a risk-free security plus a risk [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) multiplied by the asset's systematic risk. Theory was invented by William Sharpe (1964) and John Lintner (1965). The early work of Jack Treynor is was also instrumental in the development of this model.

**Capital budget**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) planned [capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures).

**Capital budgeting**

The process of choosing the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset).

**Capital Builder Account (CBA)**

A Merrill Lynch brokerage [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) that allows [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to access the [loan value](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan_value) of his or her eligible [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Excess [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in a CBA can be [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a [money market fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund) or an [insured](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insured) [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) deposit [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) without losing access to the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Capital charge rate**

. The capital charge is the cost of capital times the amount of invested capital. This capital charge is a dollar amount. By capital charge rate is just the cost of capital. In other words, the capital charge rate is the rate or return required on invested capital.

**Capital expenditures**

Amount used during a particular period to acquire or improve [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) such as property, plant, or equipment.

**Capital flight**

The [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) abroad in response to fears of [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk).

**Capital formation**

[Expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) or [capital goods](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_goods) through savings, which leads to [economic growth](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_growth_rate).

**Capital gain**

When a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is sold for a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit), the capital gain is the difference between the [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales) price of the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and their [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), or original [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis). If a stock is sold below cost, the difference is a [capital loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_loss).

**Capital gains distribution**

A [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) out of [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from selling [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), that is subject to capital gains taxes for the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Capital gains tax**

The tax levied on [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [capital assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset). A [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain), which is achieved once an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is held for at least 12 months, is taxed at a maximum rate of 20% (taxpayers in 28% [tax bracket](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_bracket)) and 10% (taxpayers in 15% [tax bracket](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_bracket)). Assets held for less than 12 months are taxed at regular [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) levels, and, since January 1, 2000, assets held for at least five years are taxed at 18% and 8%.

**Capital gains yield**

The price change portion of a stock's return.

**Capital goods**

Goods used by [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to produce other goods, e.g., office buildings, machinery, equipment.

**Capital growth**

The increase in an [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). Also called [capital appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_appreciation).

**Capital infusion**

Often refers to the cross-[subsidization](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of divisions within a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). When one division is not doing well, it might benefit from an infusion of new funds from the more successful divisions. In the context of [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital), it can also refer to funds received from a venture capitalist to either get the firm started or to save it from failing due to lack of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Capital-intensive**

Used to describe [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) that require large [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [capital assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset) to produce their goods, such as the automobile industry. These [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) require large [profit margins](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_margin) and/or low [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to survive.

**Capital International Indexes**

[Market indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) maintained by [Morgan Stanley that](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#morgan_stanley_capital_international) track major [stock markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) worldwide.

**Capital investment**

See: [Capital expenditure.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures)

**Capital lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that has to be [capitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) on the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet).

**Capital loss**

The difference between the [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the sales price, if the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is sold at a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). Also used in a more general context to refer to the market for stocks, bonds, derivatives and other investments.

**Capital market**

Traditionally, this has referred to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for trading [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) (those that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) in more than one year). That is, the market where capital is raised. More recently, capital markets is used in a more general context to refer to the market for stocks, bonds, derivatives and other investments.

**Capital market efficiency**

The degree to which the present asset price accurately reflects current information in the market place. See: [Efficient market hypothesis.](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_market_hypothesis)

**Capital market imperfections view**

The view that [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) is generally valuable, but that the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) optimal choice of [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) involves various other views of capital structure ( [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) corporate/personal tax, [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) cost, and pecking order), that result from considerations of [asymmetric information](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asymmetric_information), [asymmetric taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asymmetric_taxes), and [transaction costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_transaction_costs).

**Capital market line (CML)**

The line defined by every combination of the [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset) and the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio). The line represents the [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) you earn for taking on extra [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). Defined by the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Capital rationing**

Placing limits on the amount of new [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) undertaken by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), either by using a higher [cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital), or by setting a maximum on the entire [capital budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budget) or parts of it.

**Capital requirements**

[Financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) required for the operation of a business, composed of [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) and [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) plus [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset).

**Capital shares**

One of two types of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a dual-purpose [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), which entitle the holder to the [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) or [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) in the value of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), as well as the gains from [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio). Antithesis of income shares.

**Capital stock**

Stock authorized by a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) and having [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value), [stated value](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value), or no par value. The number and the value of [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) shares are usually shown, together with the number of shares authorized, in the [capital accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_account) section of the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet). See: [Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Capital structure**

The makeup of the [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) and [stockholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) side of the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet), especially the [ratio of debt to equity](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total_debt_to_equity_ratio) and the mixture of [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) and [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Capital surplus**

Amounts of directly contributed [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) in excess of the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Capital turnover**

Calculated by dividing annual [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) by average [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) ([net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth)). The ratio indicates how much a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) could grow its current [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) level. Low [capital turnover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_turnover) generally corresponds to high [profit margins](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_margin).

**Capitalization**

The [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and/or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) mix that funds a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Capitalization method**

A method of constructing a [replicating portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replicating_portfolio) in which the manager [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a number of the most highly [capitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) names in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) in proportion to their capitalization.

**Capitalization rate**

The [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_interest) rate used to calculate the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of a number of future payments.

**Capitalization ratios**

Also called [financial leverage ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage_ratios), these ratios compare [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to total [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) and thus reflect the extent to which a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) is trading on its [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). Capitalization ratios can be interpreted only in the context of the stability of [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) and company [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Capitalization table**

A table showing the [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), which typically includes the amount of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) obtained from each source - [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and common [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) - and the respective capitalization ratios.

**Capitalization-Weighted Index**

A [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) which is computed by adding the [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) (float times price) of each individual stock in the index, and then dividing by the divisor. The stocks with the largest market values have the heaviest weighting in the index. See also [Float](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float), [Divisor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#divisor).

**Capitalized**

Recorded in [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) accounts and then [depreciated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) or [amortized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization), as is appropriate for expenditures for items with useful lives longer than one year.

**Capitalized interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that is not immediately [expensed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), but rather is considered as an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and is then [amortized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) through the [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) over time. In the context of project financing, [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that is paid by additional [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Capped-Style Option**

A capped option is an option with an established [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) cap or cap price. The cap price is equal to the option's [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) plus a cap interval for a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) option or the strike price minus a cap interval for a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option). A capped option is automatically [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) when the underlying security closes at or above (for a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)) or at or below (for a put) the Option's cap price.

**Captive finance company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), usually a [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) that is wholly owned, whose main function is [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) consumer [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) from the [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Caput**

An [exotic option](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exotic_option). It represents a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) on a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option). That is, you [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the option to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) at a particular price on or before the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Car**

A loose quantity term sometimes used to describe the amount of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) one [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract); e.g., "a car of bellies." Derived from the fact that quantities of the product specified in a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) once corresponded closely to the capacity of a railroad car.

**Caracas Stock Exchange**

Originally established in 1947 and merged with a competitor in 1974 to become the only securities exchange of Venezuela.

**Cargo**

Goods being transported.

**Carriage and Insurance Paid To (CIP)**

Seller is responsible for the payment of freight to carry goods to a named overseas destination. The seller is also responsible for providing cargo insurance at minimum coverage against the [buyer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) risk of loss or damage to the goods during transport. The risk of loss or damage is [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) from the seller to the buyer once the goods are delivered into the carrier's custody. This term may be used for any mode of transport.

**Carriage Paid To (CPT)**

Seller is responsible for the payment of freight to carry goods to a named overseas destination. The risk of loss or damage is [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) from the seller to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) when the goods have been delivered into the carrier's custody. This term may be used for any mode of transport.

**Carrot equity**

British slang for an [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with the added benefit of an opportunity to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) more equity if the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) reaches certain financial goals.

**Carry**

Related: [Net financing cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_financing_cost).

**Carry Trade**

For the bond market, this refers to a trade where you borrow and pay interest in order to buy something else that has higher interest. For example, with a positively sloped term structure (short rates lower than long rates), one might borrow at low short term rates and finance the purchase of long-term bonds. The carry return is the coupon on the bonds minus the interest costs of the short-term borrowing. Of course, if long-term interest rates unexpectedly rose(and long-term bond prices fell as a result), the carry trade could become unprofitable. Indeed, if this occured, there could be a number of investors trying to unwind the carry trade, which would involve selling the long-term bonds. It is possible that this could exacerbate the increase in long-term interest rates, i.e. push the rates even higher. For currency, you buy the currency that has the highest local short term interest rate. For more information on currency, see: [Currency Carry Trade.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_carry_trade)

**Carryforwards**

Tax losses allowed to be applied to [offset future](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) income in some specified number of future years.

**Carrying charge**

The fee a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) charges for [carrying](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carry) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit), such as on a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account). Also, any component of a futures basis, such as storage costs, interest charges or insurance costs on the underlying interest.

**Carrying costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that increase with increases in the level of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets).

**Carrying value**

[Book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value).

**Cartel**

A group of businesses or nations that act together as a single producer to obtain [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) and to influence prices in their favor by limiting production of a product. The United States has laws prohibiting cartels.

**Carve out**

Usually occurs when a company decides to IPO one of their subsidiaries or divisions. The company usually only offers a minority share to the equity market. Also known as equity carve out.

**Cash**

The value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that can be converted into cash immediately, as reported by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). Usually includes bank accounts and [marketable securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marketable_security), such as [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) and [banker's acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance). [Cash equivalents](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_and_equivalents) on [balance sheets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) include [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) within 90 days (e.g., [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note)).

**Cash account**

A brokerage account that settles [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) on a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash)-rather than [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit)-basis.

**Cash Available for Debt Service**

Ratio of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) assets to debt service (interest plus nearby principal). Used in evaluating the risk of a project or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). The higher the ratio the less likely the firm or project will fail to meet its debt [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Cash asset ratio**

[Cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and [marketable securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marketable_security) divided by [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities). See: [Liquidity ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity_ratios).

**Cashed-Based**

Refering to an option or [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) that is settled in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) when [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) or assigned. No physical entity, either stock or commodity, is received or delivered.

**Cash basis**

Refers to the accounting method that recognizes revenues and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) when [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) is actually received or paid out.

**Cash and equivalents**

The value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that can be converted into [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) immediately, as reported by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). Usually includes bank accounts and marketable securities, such as [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) and [Banker's Acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance). Cash equivalents on [balance sheets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) include securities (e.g., [notes)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) within 90 days.

**Cash budget**

A [forecasted](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) summary of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) expected cash inflows and cash outflows as well as its expected [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) balances.

**Cash & carry**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. Combination of a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)/[index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index)/[commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) and [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [futures,](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) which entails a [cost of carry](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_carry) on the [long position.](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) Also known as cash and carry arbitrage.

**Cash commodity**

The actual [physical commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity), as distinguished from a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Cash conversion cycle**

The length of time between a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) and the receipt of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) from [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Cash cow**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that pays out most of its [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) to [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). Or, a company or division of a company that generates a steady and significant amount of [free cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_cash_flows).

**Cash cycle**

In general, the time between [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) disbursement and cash [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection). In [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [working capital management](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital_management), it can be thought of as the operating [cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) less the [accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable) payment period.

**Cash deficiency agreement**

An agreement to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in a project to the extent required to cover any cash deficiency the project may experience.

**Cash delivery**

The provision of some [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) that requires not [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [underlying assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) but [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) according to the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) value of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Cash discount**

An incentive offered to [purchasers](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) product for payment within a specified time period, such as ten days.

**Cash dividend**

A [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). The amount is normally based on [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and is [taxable as income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income). A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) may include [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) and [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of capital in addition to the dividend.

**Cash earnings**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) revenues less cash [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), which excludes the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Cash-equivalent items**

Examples include [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) and [Banker's Acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance).

**Cash flow**

In [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), cash flow represents [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation), [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization), and non-cash charges. Sometimes called cash earnings. [Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from operations (called [funds from operations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funds_from_operations) by [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) and other [investment trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_trust)) is important because it indicates the ability to pay [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Cash flow after interest and taxes**

[Net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) plus [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Cash flow break-even point**

The point below which the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will need either to obtain additional [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) or to [liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) some of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to meet its [fixed costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_cost).

**Cash flow per common share**

[Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from operations minus [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), divided by the number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).

**Cash flow coverage ratio**

The number of times that financial [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) (for [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments, [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and [rental](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent) payments) are covered by [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before interest, taxes, rental payments, and [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Cash flow matching**

Also called [dedicating a portfolio,](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dedicating_a_portfolio) this is an alternative to [multiperiod immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multiperiod_immunization) that calls for the manager to match the [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of each element in the [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) stream, working backward from the last [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) to assure all required [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Cash flow from operations**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) inflow resulting directly from its regular operations (disregarding extraordinary items such as the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset) or [transaction costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs) associated with [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security)), calculated as the sum of [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) plus noncash [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) that are deducted in calculating net income.

**Cash flow time line**

Line depicting the operating activities and [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) for a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) over a particular period.

**Cash in Advance**

A payment term meaning the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) pays the seller before shipment is effected.

**Cash In Lieu (CIL)**

In a typical exchange offer, "old" shares of the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) are exchanged for "new shares".

**Cash investments**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument)—such as commercial paper, [banker's acceptances](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance), and [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills)—that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) in less than one year. Also known as [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [cash reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_reserves).

**Cash management**

Refers to the efficient management of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in a business in order to put the cash to work more quickly and to keep the cash in applications that produce income, such as the use of [lock](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lock) boxes for payments.

**Cash management bill**

Very [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short)-[maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) bills that the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) occasionally sells because its [cash balances](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_cash_balance) are down and it needs [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) for a few days.

**Cash markets**

Also called [spot markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_markets), these are [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that involve the immediate [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or instrument. Related: [Derivative markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_markets).

**Cash offer**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Proposal, either hostile or friendly, to [acquire](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) through the payment of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) for the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of the target. Compare to [exchange offer](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_offer).

**Cash-on-cash return**

A method used to find the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) when there is no [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market). The [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) is determined by dividing the annual [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) income by the total investment. See: [Current yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_yield) or [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity).

**Cash on delivery (COD)**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), this refers to the practice of [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) paying the full [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Cash-out Laws**

These laws enable [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to sell their stakes to a "[controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control)" shareholder at a price based on the highest price of recently acquired shares. This works something like [Fair-Price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_price) provisions extended to nontakeover situations. A few states have these laws.

**Cash plus convertible**

[Convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) that requires [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) payment upon conversion.

**Cash position**

The percentage of a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve), such as [US Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#us_treasury_bill) or other [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Cash price**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. See: [Spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price).

**Cash ratio**

The proportion of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) held as [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Cash reserves**

See: [Cash investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_investments)

**Cash sale/settlement**

[Transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is settled on the same day as the [trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date), or the next day if the trade occurs after 2:30 p.m. EST and the parties agree to this procedure. Often occurs because a party is strapped for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and cannot wait until the regular three-[business day](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_day) [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement). See: [Settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date).

**Cash Settlement**

The process by which the terms of an option contract are fulfilled through the payment or receipt in dollars of the amount by which the option is [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) as opposed to [delivering](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver) or receiving the underlying stock.

**Cash settlement contracts**

[Futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) such as [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) that settle for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and do not involve [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying).

**Cash-surrender value**

The amount an insurance company will pay if the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) [tenders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) or cashes in a [whole life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#whole_life_insurance) policy.

**Cash transaction**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which exchange is immediate in the form of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), unlike a [forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract) (which calls for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) at an agreed-upon price).

**Cashbook**

An accounting [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) that is composed of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) receipts plus disbursements. This balance is posted to the cash [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) in the [ledger](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_ledger).

**Cashier's check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) drawn directly on a customer's [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account), making the bank the primary [obligor](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligor), and assuring [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that the amount will be paid.

**Cashout**

Occurs when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) runs out of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and cannot readily sell marketable securities.

**Casualty-insurance**

Insurance [protecting](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protect) a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or homeowner against loss of property, damage, and other [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Casualty loss**

A financial loss caused by damage, destruction, or loss of property as a result of an unexpected or unusual event.

**Catastrophe call**

Early [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) of a [municipal revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) because a catastrophe has destroyed the project that provided the revenue source backing the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Cats and dogs**

[Speculative stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculative_stock) with short histories of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments.

**Caveat emptor, caveat subscriptor**

Latin expressions for "[buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) beware" and "seller beware," which warn of overly [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), inadequately [protected](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protect) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Cease-and-desist order**

An order [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) after notice and opportunity for hearing, requiring a depository institution, a holding company or a depository institution official to terminate unlawful, unsafe or unsound banking practices. Cease-and-desist orders are issued by the appropriate federal regulatory agencies under the Financial Institutions Supervisory Act and can be enforced directly by the courts.

**Cede & Co.**

Nominee name for The [Depository Trust Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_company), a large clearing house that holds [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in its name for banks, [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and institutions in order to expedite the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of stock.

**CEDEL**

A centralized clearing system for [Eurobonds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond).

**Ceiling**

The highest price, [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), or other numerical factor allowable in a financial [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Central bank**

A country's main bank whose responsibilities include the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), the administration of [monetary policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy), [open market operations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_market_operation), and engaging in [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) designed to facilitate healthy business interactions. See: [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Central bank intervention**

The [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), foreign or domestic, by central banks in order to influence market conditions or [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) movements.

**Central Limit Theorem**

The [Law of Large Numbers](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#law_of_large_numbers) states that as a sample of independent, identically distributed random numbers approaches infinity, its [probability density function](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_density_function) approaches the normal [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution). See: [Normal Distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_distribution).

**Centralized cash flow management**

Provision of consolidated [cash management](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_management) decisions to all [MNC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) from one location, usually at the parent's headquarters.

**Cents per share**

The amount of a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) that a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) will receive for each [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) owned.

**Checkwriting**

Free [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check)writing privileges offered with non[retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) accounts for select [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Certainty equivalent**

An amount that would be accepted today (risk free) in lieu of a chance to receive a possibly higher, but uncertain, amount.

**Certainty Equivalent Return**

The certain (zero [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) would [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for a given (larger) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) with an associated [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). For example, a particular investor might trade an uncertain expected 4% [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) with 6% risk, for a certain active return of 1.5%. Used as a way to incorporate individual investor risk tolerances into financial decisions.

**Certificate**

A formal document used to record a fact and used as proof of the fact, such as [stock certificates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_certificate), that evidence ownership of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Certificate of Accrual on Treasury Securities (CATS)**

Refers to a zero-coupon US [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is sold at a deep [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) from the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) and pays no [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) during its lifetime, but [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) the full [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Certificate of deposit (CD)**

Also called a [time deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_deposit) this is a [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a bank or thrift that indicates a specified sum of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) has been deposited. A CD has a [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) and a specified [interest rate,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and can be issued in any [denomination](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination). The [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) can be up to five years.

**Certificate of Origin**

A document certifying the country of origin for goods sold internationally.

**Certificates of Amortized Revolving Debt (CARD)**

[Pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities) backed by [credit card receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Certificates of Automobile Receivables (CAR)**

[Pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities) backed by automobile loan receivables.

**Certificateless municipals**

[Municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) with one [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) which is valid for the entire [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), and having no individual certificates, easing [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). See: [Book-entry securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_entry_securities).

**Certified check**

A bank [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) for which funds are immediately withdrawn, and for which the bank is legally liable.

**Certified Financial Planner (CFP)**

A person who has passed examinations accredited by the Certified Financial Planner Board of Standards, showing that the person is able to manage a client's banking, [estate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_planning), [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy), [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), and tax affairs.

**Certified financial statements**

[Financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) that include an [accountant's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accountants_opinion).

**Certified Public Accountant (CPA)**

An accountant who has met certain standards, including experience, age, and licensing, and passed exams in a particular state.

**Chair of the board**

Highest-ranking member of a [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors), who presides over its meetings and who is often the most powerful officer of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Chaos**

A deterministic non-linear dynamic system that can produce random looking results. A chaotic system must have a [fractal dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension), and exhibit sensitive dependence on initial conditions. See: [Fractal Dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension), [Lyapunov Exponent](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lyapunov_exponents), [Strange Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strange_attractor).

**Chapter 7 Proceedings**

Provisions of the [Bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) Reform Act under which the [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) by a court because [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) would fail to establish a [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) business.

**Chapter 11 Proceedings**

Provisions of the [Bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) Reform Act under which the [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is [reorganized](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) by a court because the estimated value of the [reorganized](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) firm exceeds the expected [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) from its [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Changes in financial position**

Sources and uses of funds provided from operations that alter a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position): [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation), [deferred taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes), other sources, and [capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures).

**Characteristic line**

The [market model](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_model) applied to a single [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security); a [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) of security returns on the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) return. The slope of the [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) line is a security's [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta).

**Characteristic portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) which efficiently represents a particular [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) characteristic. For a given characteristic, it is the minimum risk [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), with [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) characteristic equal to 1. For example, the characteristic portfolio of [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [betas](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) is the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark). It is the minimum risk beta = 1 portfolio.

**Charge**

The document evidencing [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) required by Crown Law (law derived from English law). A Fixed Charge refers to a defined set of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and is usually registered. A Floating Charge refers to other assets which change from time to time (ie. [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), etc.), which become a Fixed Charge after a [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Charge off**

See: [Bad debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bad_debt)

**Charitable remainder trust**

An irrevocable trust that pays income to a designated person or persons until the [grantor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) death, when the income is passed on to a designated charity. A charitable lead [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) by contrast allows the charity to receive income during the grantor's life, and the remaining income to pass to designated family members upon the grantor's death.

**Charter**

See: [Articles of incorporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#articles_of_incorporation)

**Charter Amendment Limitations**

These provisions limit [shareholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) ability to amend the governing documents of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). This might take the form of a supermajority vote requirement for [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) or bylaw amendments, total elimination of the ability of shareholders to amend the bylaws, or the ability of directors beyond the provisions of state law to amend the bylaws without shareholder approval.

**Chartered Financial Analyst (CFA)**

An experienced [financial analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_analysts) who has passed examinations in economics, financial accounting, [portfolio management](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_management), [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) analysis, and standards of conduct given by the Institute of Chartered Financial Analysts.

**Chartists**

A technical [analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who charts the [patterns](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) to find [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in [patterns](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) used to advise clients. Related: [Technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts).

**Chasing the market**

Purchasing a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a higher price than expected because prices are rapidly climbing, or selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a lower level when prices are quickly falling.

**Chastity bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [redeemable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) at [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) in the case of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Chatter**

See: [Whipsawed](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#whipsawed)

**Chattel Mortgage**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) agreement that grants to the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on property other than [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate). Chattel is personal or movable property.

**Cheapest to deliver issue**

The acceptable [Treasury security](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities) with the highest [implied repo rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#implied_repo_rate); the rate that a seller of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) can earn by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and then [delivering](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver) it at the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date).

**Check**

A [bill of exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_exchange) representing a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) on a bank from deposited funds that pays a certain sum of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to a certain person or party.

**Check clearing**

The movement of a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) from the depository institution at which it was deposited back to the institution on which it was written; the movement of funds in the opposite direction and the corresponding [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and debit to the involved accounts. The Federal Reserve operates a nationwide check-clearing system.

**Checking the market**

Searching for [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) prices from [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) to find the best deal.

**Chicago Board Options Exchange (CBOE)**

A securities [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) created in the early 1970s for the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) trading of standardized [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). Primary place for the trading of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [options,](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [foreign currency options,](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_option) and [index options](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option) (S&P 100, [500](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p_500_composite_index), and [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) 250 [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index))

**Chicago Board of Trade (CBOT)**

The second largest [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in the US, and a pioneer in the development of [financial futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_future) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Chicago Mercantile Exchange (CME)**

Chicago Mercantile Exchange (CME) is the largest [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) exchange in the United States and the second largest exchange in the world for the trading of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures). Founded in 1898 as a [not-for-profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_for_profit) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), in November 2000 CME became the first U.S. financial exchange to demutualize and become a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders)-owned corporation. Its futures and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on CME's trading [floors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor), on its GLOBEX electronic trading platform and through privately negotiated [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). CME has four major product areas based on [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) (including Eurodollar futures, the world's most [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) traded [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract)), stock indexes (such as the ([S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 and Nasdaq-100 futures), foreign exchange and [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Chicago Stock Exchange (CHX)**

A major [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) only [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), with 90% of trades taking place on an automated [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) system, called MAX.

**Chief Executive Officer (CEO)**

A title held often by the [Chairperson of the Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chairman_of_the_board), or the [president](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#president). The person principally responsible for the activities of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Chief Financial Officer (CFO)**

The officer of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) responsible for handling the financial affairs of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Chief Operating Officer (COO)**

The officer of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) responsible for day-to-day management, usually the president or an executive vice-[president](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#president).

**Chinese hedge**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Trading [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) in which one is [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) the convertible and [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) common, in the hope that the convertible's [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) will fall. Antithesis of [set-up](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#set_up).

**Chinese wall**

Communication barrier between financiers at a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ([investment bankers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank)) and [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders). This barrier is erected to prevent the sharing of inside information that bankers are likely to have.

**Choice market**

Applies mainly to international equities. [Locked market](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#locked_market) in London terminology.

**Churning**

Excessive [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of a client's account in order to increase the [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Cincinnati Stock Exchange (CSE)**

[Stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) based in Cincinnati that is the only fully automated [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in the US. It has no [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor), but handles all [members'](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) using computers.

**Circle**

[Underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter), actual or potential, often seek out and "circle" [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) interest in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) before final pricing. The customer circled has basically made a commitment to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) if it is available at an agreed-upon price. If the actual price is other than that stipulated, the customer supposedly has first [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at the actual price.

**Circuit breakers**

Measures instituted by [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) to stop [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) temporarily when the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has fallen by a certain percentage in a specified period. They are intended to prevent a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) free fall by permitting [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [rebalance](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rebalancing).

**Circus swap**

A fixed-rate [currency swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_swap) against [floating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) US dollar [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.) payments. An acronym that stands for Combined Interest Rate and CUrrency Swap.

**Citizen bonds**

[Certificateless municipals](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificateless_municipals) that can be registered on [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) and are listed in newspapers.

**City code on takeovers and mergers**

See: [Dawn raid](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dawn_raid)

**Claim dilution**

A decrease in the likelihood that one or more of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [claimants](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#claimant) will be fully repaid, including time value of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) considerations.

**Claimant**

A party to an explicit or implicit [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Class**

In the case of [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products, [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of the same type-[put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) or [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)-with the same [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). See: [Series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series). In general, refers to a category of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) such as: domestic equity, [fixed income](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities), etc.

**Class A/Class B shares**

See: [Classified stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#classified_stock)

**Class action**

A legal complaint filed by a lawyer or group of lawyers for a group of petitioners with an identical grievance, often with an award proportionate to the number of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) involved.

**Class of Options**

Option [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) of the smae type ([call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) or put) and Style (American, European or Capped) that cover the same underlying security.

**Classified Board**

Also known as Staggered Board: is one in which the directors are placed into different classes and serve overlapping terms. Since only part of the board can be replaced each year, an outsider who gains [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) may have to wait a few years before being able to gain control of the board. This slow replacement makes a classified board an effective delays of takeovers. Sometimes known as a delay provision.

**Classified stock**

The division of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) into more than one [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), usually called Class A and Class B. The specific features of each [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class), which are set out in the [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) and bylaws, usually give certain advantages to the Class A [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), such as increased voting power.

**Claused Bill of Lading**

A [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) with a notation that indicates damage or shortage. Also called [foul bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foul_bill_of_lading) and are the opposite of [clean bills of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean_bill_of_lading).

**Clawback**

The ability to recover prior project [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) that may have been distributed or paid away as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to sponsors.

**Clawback**

A dividend clawback is an arrangement whereby the equity owners commit to use dividends they have received in the past to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) needs of the project or [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) in the future. Clawback has a more general definition. For example, premiums paid on an insurance policy may be refunded (or clawed back) if the policy is cancelled in a certain time frame. Such an arrangement is specified in the contract and referred to as a clawback provision.

**Clean**

In the context of general equities, [block trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) that matches [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/interests, sparing the block trader any [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) (no net position and hence none available for additional customers). [Natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural). Antithesis of [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open).

**Clean Bill of Lading**

A [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) bearing no findings of damage or shortage.

**Clean opinion**

An auditor's opinion reflecting an unqualified acceptance of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Clean price**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) price excluding [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest).

**Clean Report of Findings**

A report [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by an inspection [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), indicating that price has been verified, that the goods have been inspected prior to shipment, and that both conform to [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) specifications.

**Clean up**

In the context of general equities, [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase)/[sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of all the remaining supply of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or the last piece of a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade), in a trade-leaving a [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) zero [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**"Clean your skirts"**

In the context of general equities, i.e. "make all your [obligated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)" check with all prior obligations in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Often preceded by "[subject](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subject) to."

**Clear**

To settle a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by the seller delivering [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) delivering funds in the proper form. A trade that does not clear is said to fail. [Comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of the details of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) between [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) prior to [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement); final exchange of securities for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) on [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Clear a position**

To eliminate a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short position,](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) leaving no ownership or [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Clear title**

Title to ownership that is untainted by any claims on the property or disputed interests, and therefore available for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). This is usually checked through a title search by a title [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Clearing corporations**

Organizations that are affiliated with [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and are used to complete [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) by taking care of validation, [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery), and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement).

**Clearing House Automated Payments System (CHAPS)**

A computerized clearing system for sterling funds that began operations in 1984. It includes 14 [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank), nearly 450 participating banks, and is one of the clearing [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) within the structure of the Association for Payment Clearing Services (APACS).

**Clearing House Electronic Subregister System (CHESS)**

CHESS is the automatic [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) system for the majority of [Australian Stock Exchange (ASX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#australian_stock_exchange) listed securities.

**Clearing house funds**

Funds from the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system), requiring three days to clear, that are passed to and from banks.

**Clearing House Interbank Payments System (CHIPS)**

An international wire [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) system for high-value payments operated by a group of major banks.

**Clearinghouse**

An adjunct to a [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) through which [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) on its [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) where trades are settled by a process of matching [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). A clearing organization is also charged with the proper conduct of [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) procedures and the adequate [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) of the entire operation.

**Clearing member**

A member [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) of a [clearing house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse). Each clearing member must also be a member of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange). Not all members of the exchange, however, are members of the clearing organization. All [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of a non-clearing member must be registered with, and eventually settled through, a clearing member.

**Clearing Member Trade Agreement (CMTA)**

An agreement that allows a client to [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) through different [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) yet consolidate positions for clearing purposes at one brokerage [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Clientele effect**

Describes the tendency of funds or [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) to be followed by groups of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who have similar preferences for a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) which follows a particular [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) policy, such as the amount of [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) it uses.

**Clone fund**

A new fund set up in a [fund family](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fund_family) to emulate another successful fund.

**Close**

The close is the period at the end of the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) session. Sometimes used to refer to [closing price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price). Related: [Opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening).

**Close a position**

In the context of general equities, eliminate an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) from one's [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), by either selling a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or covering a [short position.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position)

**Close-end credit**

An agreement in which [advanced](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advance) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) plus any [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charges are expected to be repaid in full over a definite time. Most [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) and automobile [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) are closed-end agreements.

**Close market**

An market in which there is a narrow [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) prices, due to a high [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) and many competing [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker).

**Closed corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) whose [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are owned by just a few people, having no [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) market.

**Closed-end management company**

An [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) that issues a fixed number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that it manages, and does not create new shares if demand increases. Antithesis of an open-end management [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Closed-end fund**

An [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) that issues [shares like](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) any other [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and usually does not [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) its [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). A publicly traded fund sold on [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) or [over the counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) that may [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) above or below its [net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value). Related: [Open-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_end_fund).

**Closed-end management company**

An [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) that has only a set number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that it manages, and does not create new shares if demand increases. Antithesis of an open-end management company.

**Closed-end mortgage**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) against which no additional [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) may be [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Closed fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that is no longer [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), mainly because it has grown too large.

**Closed out**

[Position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) that is [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) when the client does not meet a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) or [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Closely held**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) whose voting [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is owned by only a few [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Closely held company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) who has a small group of [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). In contrast, a widely-held [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has many shareholders. It is difficult or impossible to wage a proxy battle for any closely-held firm.

**Closing costs**

All the [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) involved in [transferring](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) ownership of real estate.

**Closing price**

Price of the last [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) of a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) completed during a [day's trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_trading) session on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Closing purchase**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the [purchaser's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) intention is to reduce or eliminate a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or in a given [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Closing quote**

The last [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) prices of a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the close of a [day's trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_trading) session on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Closing range**

Also known as the [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range). The high and low prices, or [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), recorded during the period designated as the official [close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close). Related: [Settlement price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_price).

**Closing sale**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the seller's intention is to reduce or eliminate a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or a given [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Closing tick**

The [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) of the number of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose [closing prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price) are higher than their previous [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) ([uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade)) against the number of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose closing prices were lower than their previous [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) ([downtick](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#downtick)). A positive closing [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick) indicates "[buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) at the close", or a [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market); a negative closing [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick) indicates "selling at the close," or a [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). See: [TRIN](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trin).

**Closing transaction**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. [Buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that eliminates an existing [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) (selling a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) option or buying back a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) option). Antithesis of [opening transaction](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening_transaction).

**Closing TRIN**

See: [TRIN](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trin)

**Cloud on title**

Any claim or encumbrance, usually discovered in a title search, that may impair the title to a property, and make its validity questionable. See: [bad title](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bad_title).

**Club**

A group of [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) who do not need to proceed to form a [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Cluster analysis**

A statistical technique that identifies clusters of stocks whose [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) are highly [correlated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) within each cluster and relatively uncorrelated across clusters. Cluster analysis has identified groupings such as [growth](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock), cyclical, stable, and energy stocks.

**CMO REIT**

A very [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) type of [Real Estate Investment Trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate_investment_trust) [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in the residual [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) of [Collateralized Mortgage Obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) (CMOs). CMO [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) are derived from the difference between the rates paid by the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) holders and the lower, shorter-term rates paid to CMO [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Co-financing**

A type of financing in which the different [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) agree to fund under the same documentation and [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) packages but may have different [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), repayment profiles, and [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**Co-manager**

A second-tier Participant, ranked by size of participation.

**Co-agent**

An institution appointed by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) as [co-transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) accepts and transfers [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) and sends daily activity journals to the primary record-keeping [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent). A co-agent does not maintain security holder records, but is used to facilitate the transfer of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a geographic region not easily accessible to the issuer or its principal transfer agent.

**Coattail investing**

A [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) practice of making trades similar to those of other successful [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), usually [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**COD transaction**

See: [Delivery versus payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery_versus_payment)

**Code of procedure**

The guide of the [National Association of Securities Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers) used to adjudicate complaints filed against [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) members.

**Coefficient of determination**

A measure of the goodness of fit of the relationship between the dependent and [independent variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#independent_variable) in a [regression analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression_analysis); for instance, the percentage of variation in the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) explained by the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio) return. Also known as [R-square](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r_squared).

**Coefficient of Variation**

A measure of [investment risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_risk) that defines [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) as the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Coface**

The French Export Credit Agency.

**Coffee, Sugar & Cocoa Exchange (CS&CE)**

The historic New York-based [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) exchange trading [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). In June 2004, the CS&CE merged with the New York Cotton Exchange (NYCE) to form the New York Board of Trade. As a result of this merger, all previous exchanges and subsidiaries ceased to exist, including the Coffee, Sugar, & Cocoa Exchange, the New York Cotton Exchange, the Citrus Associates of the New York Cotton Exchange, the New York Futures Exchange (NYFE), and the FINEX Exchange. All markets are now referred to as the New York Board of Trade or NYBOT.

**Cofinancing agreements**

Joint participation of the [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) and other [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) or [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) in providing funds to developing countries.

**Coherent Market Hypothesis**

A hypothesis that the [probability density function](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_density_function) of the market may be determined by a combination of group sentiment and fundamental bias. Depending on combinations of these two factors, the market can be in one of four states: [random walk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_walk), unstable transition, [chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos), or coherence.

**Coincident indicators**

[Economic indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_indicators) that give an indication of the current status of the economy.

**Coinsurance effect**

Refers to the fact that the [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) of two [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) lessens the probability of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on either firm's [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Cold-calling**

[Calling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) potential new customers in the hope of selling [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or other financial products and receiving [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Collar**

Refers to the [ceiling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#ceiling) and [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the price fluctuation of an underlying asset. A collar is usually set up with [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), [swaps](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap), or by other agreements. In corporate finance, the collar strategy of buying puts and selling calls is often used to mitigate the risk of a concentrated position in (sometimes) restricted stock. When the restricted owner can't sell the stock, but needs to diversify the risk, a collar transaction is one of the few tools available. Many corporate executives who receive chunks of their compensation in restricted stock need to employ this strategy to mitigate the diversification risk in their overall portfolio.

**Collateral**

In the context of project financing, additional [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) pledged to support the project financing.

**Collateral trust bonds**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in which the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) (often a [holding company](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company)) grants [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), or other financial [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) as [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Compare [mortgage bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_bond).

**Collateralized Bond Obligation (CBO)**

[Investment-grade bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds) backed by a [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) of [junk bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond) with different levels of risk, called tiers, that are determined by the quality of [junk bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond) involved. CBOs backed by highly [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [junk bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond) receive higher [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) than other CBOs.

**Collateralized Debt Obligation (CDO)**

A general inclusive term which covers [Collateralized Bond Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_bond_obligation), [Collateralized Loan Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_loan_obligation), and [Collateralized Mortgage Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation),

**Collateralized loan obligation (CLO)**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) backed by a pool of commercial or personal loans , structured so that there are several [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) with varying [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), called [tranches](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche). Similar in structure to [Collateralized Mortgage Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation).

**Collateralized mortgage obligation (CMO)**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) backed by a pool of [pass-through rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_rate) , structured so that there are several [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) with varying [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), called [tranches](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche). The [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments from the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) pool of pass-through securities are used to [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on a [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) basis as specified in the [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus). Related: [mortgage pass-through security](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security).

**Collecting Bank**

A bank that assists in obtaining payment in accordance with [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) payment terms.

**Collection**

The presentation of a negotiable instrument for payment, or the conversion of any [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) into [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Collection float**

The period between the time is a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) is deposited in an account and the time funds are made available.

**Collection fractions**

The percentage of a given month's [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) during the month of sale and each month following the month of sale.

**Collection period**

See: [Collection ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection_ratio)

**Collection policy**

Procedures a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) follows in attempting to [collect](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) [accounts receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Collection ratio**

The ratio of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) to its [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) daily [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), which gives the average number of days it takes the company to convert receivables into [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Collective wisdom**

The combination of all the individual opinions about a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) value.

**Colombo Stock Exchange**

Established in 1984, the only [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) stock exchange of Sri Lanka.

**COLT (Continuous on-line trading system)**

Computerized [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) traders assistance system that provides for [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) entry and [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) monitoring, among other functions.

**Comanager**

A bank that ranks just below a [lead manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_manager) in a [syndicated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) [Eurocredit](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocredits) or international bond [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Comanagers may assist the [lead manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_manager) bank in the pricing and issue of the [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Combination**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. Arrangement of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) involving two [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or two [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) with different [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) or [strike](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) ([exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise)) prices. See: [Straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle).

**Combination annuity**

See: [Hybrid annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hybrid_annuity)

**Combination bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) backed by the government [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) issuing it as well as by revenue from the project that is to be [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Combination order**

See: [Alternative order](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alternative_order)

**Combination matching**

Also called [horizon-matching](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizon_matching_strategy), a variation of [multiperiod immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multiperiod_immunization) and [cash flow-matching](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow_matching) in which a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is created that is always [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration)-matched and also [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash)-matched in the first few years.

**Combination strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) with different [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) and the same [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) are either both bought or both sold. Related: [Straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle)

**Combined financial statement**

A [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) that merges the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth), and operating figures of two or more [affiliated companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliated_corporation). A combined statement is distinguished from a [consolidated financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_financial_statement) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), which must reconcile [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) accounts.

**Come in**

In the context of general equities, a fall in price.

**Come out of the trade**

In the context of general equities, [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that results from [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) (or the expectations thereof). Antithesis of [going into the trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#going_into_the_trade).

**Comeout**

In the context of general equities, the [opening.](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) Antithesis of the [close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close).

**COMEX**

A division of the [New York Mercantile Exchange (NYMEX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_mercantile_exchange). Formerly known as the Commodity Exchange, COMEX is the leading US market for metals [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) trading.

**Comfort letter**

A letter from an independent auditor included in a preliminary prospectus stating that, while a full audit has not been undertaken, the auditor has done a 'review' sufficient to assure that financial statement information in the preliminary prospectus is correctly prepared to the best of the auditor's knowledge. The auditor in effect states that, had a full audit been done, they are comfortable that the audited financial statements would not be materially different from the ones presented in the preliminary [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus).

**Commercial bank**

Bank that offers a broad range of deposit accounts, including [checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), savings and time deposits and extends [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to individuals and business. Commercial banks can be contrasted with [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) banking [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), such as brokerage firms, which generally are involved in arranging for the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of corporate or municipal securities.

**Commercial draft**

Demand for payment.

**Commercial hedgers**

[Companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that take [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) so that they can [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) prices at which they will [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) raw materials or sell their products.

**Commercial invoice**

Bill for merchandise sold.

**Commercial letters of credit**

[Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade)-related agreement that a certain amount of bank funds is available to an entity.

**Commercial loan**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), typically 90 days, used by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) seasonal [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) needs.

**Commercial Mortgage Backed Securities**

Similar to [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) but backed by [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) secured with commercial rather than residential property. Commercial property includes multi-family, [retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retail), office, etc., They are not [standardized](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standardized_value) so there are a lot of details associated with structure, [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) enhancement, diversification, etc., that need to be understood when valuing these instruments.

**Commercial paper**

Short-term [promissory notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#promissory_note) either unsecured or backed by assets such as loans or mortgages issued by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). The [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) is typically less than 270 days; the most common [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) range is 30 to 50 days or less. They are usually sold, like Treasury bills, at a discount.

**Commercial property**

[Real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) that produces some sort of income-producing property.

**Commercial risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) will be unable to pay its [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) because of business events, such as [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy).

**Commingling**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), this involves mixing customer-owned [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with brokerage [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)-owned [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). This process is referred to as [rehypothecation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rehypothecation), which is the use of customers' [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) to secure their [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). This is legal with customer consent, although some [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) must be kept separately.

**Commission**

The fee paid to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), based on number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), and/or their dollar value. In 1975, deregulation led to the establishment of [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) brokers, who charge lower commissions than full service [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). Full service brokers offer advice and usually have a staff of [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who follow specific [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry). Discount [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) simply execute a client's [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) and usually do not offer an opinion on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Also known as a [round-turn](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_turn). Commissions are known as round-turn only in futures trading, since the commission is assessed only after liquidation of the position.

**Commission broker**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) who acts as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for a particular brokerage house and [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) for the brokerage house on a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) basis.

**Commission house**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) for customer accounts. Related: [futures commission merchant](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_commission_merchant), [omnibus account](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#omnibus_account).

**Commission-only compensation**

Payment to a [financial advisers](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) of only [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) on [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) when the client implements the recommended [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Commitment**

Describes a [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to accept or make [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Related: [Open interest](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_interest).

**Committee on Uniform Securities Identification Procedures (CUSIP)**

Committee that assigns identifying numbers and codes for all securities. These "CUSIP" numbers and [symbols](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) are used when recording all [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order).

**Commodities Exchange Center (CEC)**

The location of five New York [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) exchanges: Commodity Exchange, Inc. (COMEX); the New York Mercantile Exchange (NYMEX); New York Cotton Exchange, Coffee, Sugar & Cocoa Exchange (CS&CE), and [New York Futures Exchange (NYFE)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_futures_exchange).

**Commodity**

A commodity is food, metal, or another fixed physical substance that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell, usually via [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Commodity-backed bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments tied to the price of an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Commodity Bundle**

One [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of the collection of the complete set of goods produced and sold in the world [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Commodity Channel Index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) used in [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis). High values mean a potential future correction (downward movement in [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset)) and low values potentially [forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) a [rally](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rally). Details in Donald Lambert's October 1980 article in *Commodities* Magazine.

**Commodity futures contract**

An agreement to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a specific amount of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) at a specified price on a particular date in the future, allowing a producer to [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) the price of a product or raw material used in production.

**Commodity Futures Trading Commission (CFTC)**

An [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) created by the US Congress in 1974 to regulate [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) trading in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures).

**Commodity indices**

Indices measuring the price and performance of [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity), often by the price of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) for the [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) that are listed on [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Commodity paper**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [advance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advance) secured by [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Commodity Research Bureau**

Produces a popular price index of 17 [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) which is often used to track [inflationary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in the economy.

**Commodity Trading Advisor**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) manager that focuses on long and short trading in the futures markets. The [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) are often intraday trades. Sometimes referred to as Managed [Futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures).

**Common-base-year analysis**

The representing of accounting information over multiple years as percentages of amounts in an initial year.

**Common code**

A nine-digit identification code [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) jointly by [CEDEL](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cedel) and [Euroclear](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euroclear). As of January 1991 common codes replaced the earlier separate [CEDEL](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cedel) and [Euroclear](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euroclear) codes.

**Common factor**

An element of [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that influences many [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). According to multiple [factor risk models](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor_model), the factors determine correlations between asset returns. Common factors include size (often measured by [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)), valuation measures such as [price to book value ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_book_ratio) and [dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield), [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) and [risk indices](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_indexes).

**Common market**

An agreement between two or more countries that permits the free movement of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) and labor as well as goods and services.

**Common shares**

In general, a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) has two types of shares, common and [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock). The common shares usually entitle the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to vote at shareholders meetings. The common shares have a discretionary [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Common-size analysis**

The representing of [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) items as percentages of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and of [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) items as percentages of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Common-size statement**

A statement in which all items are expressed as a percentage of a [base](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base) figure, useful for purposes of analyzing [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) and changing relationship among [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) items. For example, all items in each year's [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) could be presented as a percentage of [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Common stock**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that represent [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) ownership in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). [Common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) let an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) vote on such matters as the election of directors. They also give the holder a share in a company's [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) via [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments or the [capital appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_appreciation) of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [Units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of ownership of a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) with junior status to the claims of secured/unsecured [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor), [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) and [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) shareholders in the event of [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Common stock equivalent**

A [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) that is [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) like an [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) because the optioned [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) is trading above the conversion price.

**Common stock fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) only in [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Common stock market**

The market for trading equities, not including [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Common stock/other equity**

Value of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par), plus [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings). Also called [shareholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders_equity).

**Common stock ratios**

Ratios that are designed to measure the relative claims of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) ([cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) per share), and equity ([book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) per share) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Commonwealth Development Corp**

A British development [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) institute.

**Comnmunity Bank**

A smaller bank that is regulated by the Office of the Comptroller of Currency (OCC).Currently, there is no official definition of Community Bank, i.e. in terms of asset size.

**Community Reinvestment Act (CRA)**

Enacted by Congress in 1977, the CRA encourages banks to help meet the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) needs of their communities for housing and other purposes, particularly in neighborhoods with low or moderate incomes, while maintaining safe and sound operations.

**Companion bonds**

A [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of a [Collateralized Mortgage Obligation (CMO)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) whose [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) is paid off first when the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) are prepaid due to falling [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). When [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) rise, there will be lower prepayments of the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal); companion [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) therefore absorb most of the prepayment risk of a [CMO](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation).

**Company**

A [proprietorship](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proprietorship), [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership), [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), or other form of enterprise that engages in business.

**Company doctor**

An executive, usually appointed from outside, brought in to turn a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) around and make it [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Company-specific risk**

Related: [Unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk)

**Comparative advantage**

Theory suggesting that specialization by countries can increase worldwide production.

**Comparative credit analysis**

Comparing a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to others that have a desired target [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) rating in order to deduce an appropriate financial ratio target.

**Comparative statements**

[Financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) for different periods, that allow the [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of figures to illustrate [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) performance.

**Comparison**

Short for "comparison ticket," a memorandum between two [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) that confirms the details of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) to be carried out.

**Comparison universe**

A group of [money managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) of similar [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) style used to assess relative performance of a [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager).

**Compensation trade**

The form of countertrade in which an incoming [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) is repaid from the revenues generated by that investment.

**Compensating balance**

An excess balance that is left in a bank to provide indirect [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) extended or services provided.

**Compensation**

Arrangement under which the delivery of goods to a party is paid for by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back a certain amount of the product from the recipient of the goods.

**Compensatory Financing Facility (CFF)**

Entity that attempts to reduce the impact of export instability on country economies.

**Competence**

Sufficient ability or fitness for one's needs. The necessary abilities to be qualified to achieve a certain goal or complete a project.

**Competition**

Intra- or intermarket rivalry between or among businesses trying to obtain a larger piece of the same [market share](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_share).

**Competition ahead**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Situation whereby another [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) has transacted with [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) at the [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) market level before the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/[offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) has been made.

**Competitive bidders**

One of two categories of [bidders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) on Treasury securities: competitive and noncompetitive. Competitive bidders are usually financial institutions.

**Competitive bidding**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) process in which securities [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) submit competing [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) for the securities the issuer wishes to sell.

**Competitive offering**

An [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) through competitive [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**Complementary Financing**

A type of financing in which different [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) agree to fund under similar yet parallel documentation and a pro rata [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) package.

**Complete**

In the context of general equities, to [fill](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fill) an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order).

**Complete capital market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which there is a distinctive marketable security for each and every possible outcome.

**Complete portfolio**

The entire [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), including [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and [risk-free assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset).

**Completion**

In the context of project financing, occurs after a Completion Test, when the project's [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) become the primary method of repayment. Prior to completion, the primary source of repayment is usually from the sponsors or from the [turnkey contractor](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#turnkey_construction_contract).

**Completion bonding**

Insurance that a [construction contract](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#turnkey_construction_contract) will be completed successfully.

**Completion risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a project will not be brought into operation successfully or be able to pass its [completion test](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#completion_test).

**Completion test**

A test of the project's ability to perform as planned and generate the expected [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow). After the [completion](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#completion) test, the project can move from recourse to project financing.

**Completion undertaking**

An undertaking either (1) to complete a project so that it meets certain specified performance criteria on or before a certain specified date, or (2) to repay project [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) if the completion test cannot be met.

**Complexity Theory**

The theory that processes with a large number of seemingly independent [agents](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) can spontaneously organize themselves into a coherent system.

**Compliance department**

A department in all [organized stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange) to ensure that all [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders), and brokerage firms comply with [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and exchange rules and regulations.

**Composite tape**

See: [Tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape)

**Composition**

Voluntary arrangement to [restructure](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restructuring) a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), under which payment is reduced.

**Compound Annual Growth Rate**

Annual return calculated based on each year's previous balances where each previous balance includes both the original principal and all interest accrued from prior years. Best defined by example. If you [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) $100 today and make 5% in the first year and reinvest ($105) and make 8% in the second year, the [compound annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_annual_return) [growth rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates) is 6.489%. The calculation is $100x1.05x1.08=$113.4 which is what you end up with at the end of year two. The [average return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_rate_of_return) is [square root(113.4/100) -1]= 0.06489 or 6.489%. Note 1. If we had three [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) periods we would take the cubic root (power of 1/3). Note 2. If we had [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) at exactly 6.489 in both periods, we get $100x1.06489x1.06489=$113.4. Note 3. The example is directed to a [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) - but CAGR could be applied to [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) growth, [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_domestic_product) growth, etc.

**Compound Annual Return**

See: [Compound Annual Growth Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_annual_growth_rate)

**Compound growth rate**

See: [Compound Annual Growth Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_annual_growth_rate)

**Compound interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid on previously earned interest as well as on the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Compound option**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on an option.

**Compounding**

The process of [accumulating](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money) forward in time. For example, [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) earned in one period earns additional interest during each subsequent time period.

**Compounding frequency**

The number of [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) periods in a year. For example, [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) compounding has a compounding frequency of 4.

**Compounding period**

The length of the time period that elapses before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [compounds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) (a quarter in the case of [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) compounding).

**Comprehensive due diligence investigation**

The investigation of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) business in conjunction with a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) to determine whether the firm's business and financial situation and its prospects are adequately disclosed in the [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) for the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings).

**Comprehensive Income**

Comprehensive income is the change in equity of a business enterprise during a period from [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) and other events from non-owner sources. It includes all non-owner changes in equity (in contrast to [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) which does not include some changes in equity). [Financial Accounting Standards Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_accounting_standards_board) (FASB) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) the Statement of Financial Accounting Standards No. 130 (SFAS 130), *Reporting Comprehensive Income*. For fiscal years beginning after December 15, 1997, SFAS 130 requires the [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) of both net income and a more 'comprehensive� measure of income which includes four items recorded as owners� equity under previous FASB pronouncements: adjustments to unrealized gains and losses on available-for-[sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) marketable securities (SFAS 115), foreign [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) translation adjustments (SFAS 52), minimum required pension liability adjustments (SFAS 87), and changes in the market values of certain [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) qualifying as hedges (SFAS 80).

**Comptroller**

The corporate manager responsible for the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) accounting activities. Sometimes referred to as the contoller (which means the same thing).

**Comptroller of the Currency**

A government official, appointed by the President of the United States, who keeps [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over all national banks, and receives reports from the banks at least quarterly, to be published in newspapers.

**Computerized market timing system**

A computer system that compiles large amounts of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) data in search of [patterns](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) and [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) to make [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell recommendations.

**Concave**

Property that a curve is below a straight line connecting two end points. If the curve falls above the straight line, it is called [convex](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convexity).

**Concentration account**

A single centralized account into which funds [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) at regional locations ([lockboxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lockbox)) are [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer).

**Concentration Banks**

A small number of large banks a firm [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) with to periodically [collect](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) deposit balances from a group of smaller banks.

**Concentration services**

Movement of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) from different [lockbox](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lockbox) locations into a single concentration account from which disbursements and [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) are made.

**Concession**

The per-[share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or per-[bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) of a selling group for participating in a corporate [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting).

**Concession agreement**

An understanding between a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and the host government that specifies the rules under which the company can operate locally.

**Conditional call**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Circumstances under which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) can effect an earlier [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), usually [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) as percentage of a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [trading price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_price) during a particular period, such as 140% of the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) during a 40-day [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) span.

**Conditional call options**

A protective [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) that, in the event a [high yield bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_yield_bond) is called, the [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) will replace the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a non[callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of the same life and terms as the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is being called.

**Conditional sales contracts**

Similar to equipment trust certificates, except that the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) is either the equipment manufacturer or a bank or [finance company](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) to which the manufacturer has sold the [conditional sales contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conditional_sales_contracts).

**Condor**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. [Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) consisting of both [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) at different [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) to [capitalize](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) on a narrow range of [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility). The [payoff diagram](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payoff_diagram) takes the shape of a bird.

**Conduit theory**

A theory that because [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) are merely conduits for [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), which are in fact passed through to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) should not be taxed at the corporate level.

**Confidence indicator**

A measure of [investors'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) faith in the economy and the securities market. A low or deteriorating level of confidence is considered by many [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts) as a [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) sign.

**Confidence letter**

Statement by an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) that it is highly confident that the [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) for its client/[acquirer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) can and will be obtained. Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage).

**Confidence level**

In risk analysis, the degree of assurance that a specified failure rate is not exceeded.

**"Confirm me out"**

Used for listed equity securities. "Go to the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) and check with the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) or [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) that my previously [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) has been [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) and was not [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution)". One does not have to honor any [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) reported after being given a "firm out".

**Confirmation**

The written statement that follows any "[trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade)" in the securities markets. Confirmation is [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) immediately after a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution). It spells out [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date), terms, [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), etc.

**Confirmed Letter of Credit**

A [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) which a bank other than the bank that opened it agrees to honor as though they had themselves [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) it. This additional confirmation is in addition to the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the bank which issued the letter of credit.

**Confirming Bank**

The bank which has confirmed a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) opened by another bank.

**Conflict between bondholders and stockholders**

[Bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) and [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) may have interests in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that conflict. Sources of conflict include [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), distortion of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), and [underinvestment](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underinvestment_problem). Protective covenants in [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) documents work to resolve these conflicts.

**Conforming loans**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that meet the qualifications of [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) or [Fannie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae), which are bought from [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) as [pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities).

**Conglomerate**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) engaged in two or more unrelated businesses.

**Conglomerate merger**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) involving two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that are in unrelated businesses.

**Consensus forecast**

The [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) of all financial analysts' [forecasts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) for a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Consignee**

The party named in the [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) to whom delivery is promised and/or title is passed.

**Consignment**

[Transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of goods to a seller while title to the merchandise is retained by the owner.

**Consol**

A [government bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) with no [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) . Popular in Great Britain. The formula for valuing these [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is simple. The consol payment divided by [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) is the price of the bond.

**Consolidated financial statement**

A [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) that shows all the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and operating [accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) of a [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) and its [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary).

**Consolidated mortgage bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that covers several [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of property, sometimes [refinancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refinancing) [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) on the properties.

**Consolidated tape**

Used for listed equity securities. Combined [ticker tapes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape) of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) and the [curb](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#curb). Network A covers the NYSE-listed securities and is used to identify the originating [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Network B does the same for [AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange)-listed securities and also reports on securities listed on [regional stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges). See: [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape).

**Consolidated tax return**

A tax return combining the reports of [affiliated companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliated_corporation), that are at least 80% owned by a [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Consolidation**

The combining of two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to form an entirely new entity.

**Consolidation loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that is used to combine and [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) payments on other loans.

**Consortium**

A group of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that cooperate and share resources in order to achieve a common objective.

**Consortium banks**

A [merchant banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merchant_bank) [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) set up by several banks that may or may not be of the same nationality. Consortium banks are common in the Euromarket and are [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) in [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [syndication](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Constant dollar**

Condition in which [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) or escalation is not applicable. Prices and [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) are deescalated or reescalated to a single point in time.

**Constant-dollar plan**

Method of purchasing [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) a fixed amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) at set intervals. The [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) more [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) when the price is low and fewer [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) when the price is high, thus reducing the average [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Constant-growth model**

Also called the Gordon-Shapiro model, an application of the [dividend discount model](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_discount_model) that assumes (1) a fixed [growth rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates) for future dividends, and (2) a single [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate).

**Constant ratio plan**

Maintaining a predetermined ratio between [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and fixed income [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) through regular adjustments of [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of funds into different investments. See: [formula investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#formula_investing).

**Constant yield method**

Allocation of annual interest on a zero-coupon [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) use.

**Construction loan**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) building [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Constructive receipt**

The date a taxpayer receives [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or other income, for use in the determination of taxes.

**Consular Invoice**

A document prepared by the shipper and certified in the country of origin by a consul of the country of importation. It shows the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) details and origin of the goods.

**Consumer Advisory Council (CAC)**

A statutory body established by Congress in 1976. The Council, with 30 members who represent a broad range of consumer and [creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) interests, advises the Federal Reserve Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

**Consumer credit**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) grants to consumers for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of goods or services. Also called [retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retail) credit.

**Consumer Credit Protection Act of 1968**

Federal legislation establishing rules for the [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) of the terms of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [protect](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protect) [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow). See: [Truth in lending](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#truth_in_lending_law).

**Consumer debenture**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) directly to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) by a financial institution.

**Consumer durables**

Consumer products that are expected to last three years or more, such as an automobile or a home appliance.

**Consumer finance company**

See: [Finance company](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance_company)

**Consumer goods**

Goods not used in production but bought for personal or household use such as food, clothing, and entertainment.

**Consumer interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid on consumer [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan); e.g., [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) cards and [retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retail) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Consumer Price Index (CPI)**

The CPI, as it is called, measures the prices of consumer goods and services and is a measure of the pace of US [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation). The US Department of Labor publishes the CPI every month.

**Consumption tax**

See: [Value-added tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_added_tax)

**Contagion**

Excess [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) of delivering or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). For example, under usual conditions we might observe a certain level of correlation of [market returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return). A period of contagion would be associated with much higher-than-expected correlation. Some examples are the conjectured contagion in East Asian markets beginning in July 1997 when the Thai [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) devalued and the impact across many [emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets) of the Russian default. Contagion is difficult to identify because you need some sort of measure of the expected correlation. It is complicated because correlations are known to change through time, for example, see Erb, Harvey and Viskanta's article in the 1994 Financial Analysts Journal. In periods of negative returns, correlations (and [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility)) are known to increase, so what might appear to be excessive may not be contagion.

**Contango**

A market condition in which [futures prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price) are higher in the distant delivery months.

**Contingency**

An additional amount or percentage added to any [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) item (ie. [Capex](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capex)). Care is needed to ensure it is either to be spent or to remain as a [cushion](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cushion).

**Contingency graph**

A plot of the net profit to a [speculator](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) in [currency options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_option) under various [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) scenarios.

**Contingency order**

In the context of general equities, [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) one [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), if the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) can sell another, usually given that certain price limits or conditions reach a certain level. [Swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap), [switch order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#switch_order).

**Contingent**

In context of [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), those liabilities that do not yet appear on the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) (ie. [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee), supports, lawsuit [settlements](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement)). For support or recourse, the trigger may occur at any time in the future.

**Contingent claim**

A claim that can be made only if one or more specified outcomes occur.

**Contingent conversion trigger**

Used in the context of convertible instruments. The price of the stock must exceed the trigger price before the bond holder can convert to common stock at a pre-established conversion price. The trigger price exceeds the conversion price. In addition, after a certain number of years, the convertible instrument usually specifies that both the conversion price and the contingent conversion trigger will increase every year by, for example, a rate equal to LIBOR.

**Contingent deferred sales charge (CDSC)**

The formal name for the [load](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load) of a back-end load fund.

**Contingent immunization**

An arrangement in which the [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) pursues an [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) until an adverse [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) experience drives the then-available potential [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) down to the [safety net](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#safety_net_return) level. When that point is reached, the money manager is [obligated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to pursue an [immunization strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immunization_strategy) to lock in the [safety-net level return](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#safety_net_return).

**Contingent order**

An order which can be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) only if another event occurs; i.e. "sell Oct 45 [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) 7-1/4 with stock 52 or lower".

**Contingent pension liability**

Under ERISA, a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is liable to its [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) participants for up to 39% of the [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) of the firm.

**Contingent Voting Power**

Enables [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to vote when the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) fails to satisfy the agreement between itself and the [preferred stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Continuous compounding**

The process of [accumulating](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money) forward in time on a continuous, or instantaneous, basis. [Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is earned constantly, and at each instant, the interest that accrues immediately begins earning interest on itself.

**Continuous net settlement (CNS)**

Method of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) clearing and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) using a [clearing house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse), which matches [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) to [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) available, resulting in one [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) receive or deliver [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) at the end of the day.

**Continuous random variable**

A random value that can take any fractional value within specified ranges, as contrasted with a [discrete variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discrete_variable).

**Contra broker**

The [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) on the [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) side of a [sell order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_order) or the sell side of a [buy order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order).

**Contract**

A term of reference describing a [unit of trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_of_trading) for a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_future) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures). Also, the actual bilateral agreement between the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and seller of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) as defined by an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Contract month**

The month in which [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) may be satisfied by making or accepting a [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Contractual Claim**

An amount that by legal agreement must be paid periodically to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security); contractual claim may also specify the time at which the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) must be repaid and other details.

**Contractual Intermediary**

Holder of an [indirect claim](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indirect_claim) through a legal agreement that specifies that the individual must make [periodic](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_payments), fixed payments to the [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) in exchange for the right to receive payments from the intermediary in the future.

**Contractual plan**

A plan in which fixed dollar amounts of [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) through periodic [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), usually featuring some sort of additional incentive for the fixed period payments.

**Contramarket stock**

In the context of general equities, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that tends to go against the [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as a whole, such as a [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity)-related stock or one in an [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) out of favor with [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in a [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) market.

**Contrarian**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) style that leads one to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that have performed poorly and sell assets that have performed well. There are two possible reasons this [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) might work. The first is a mean-reversion argument; that is, if the asset has deviated from its usual level, it should eventually return to that usual level. The second reason has to do with [overreaction](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overreaction_hypothesis). [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) might have overreacted to bad news sending the asset price lower than it should be.

**Contrarian investing**

Ignoring [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) considers [undervalued](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#undervalued) and out of favor with other investors.

**Contributed capital**

See: [Paid-in capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paid_in_capital)

**Contribution**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) placed in an [individual retirement account (IRA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account), an employer-sponsored [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) plan, or other retirement plan for a particular tax year. Contributions may be [deductible](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) or nondeductible, depending on the type of account.

**Contribution margin**

The difference between variable revenue and [variable cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**Control**

50% of the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) votes plus one vote.

**Control Limits**

The upper and lower limits on the acceptable level of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) that minimizes the sum of the [opportunity cost](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opportunity_costs) of excessive cash and the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of marketable security [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Control parameters**

In a nonlinear dynamic system, the coefficient of the [order parameter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_parameter); the determinant of the influence of the order parameter on the total system. See: [Order Parameter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_parameter).

**Control person**

See: [Affiliated person](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliated_person)

**Control-share Acquisition Laws**

See [Supermajority](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#supermajority).

**Control stock**

The [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) owned by the [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). Sometimes refers to stock that has voting rights rather than stock that carries no voting rights. In a situation where all stock has voting rights, it sometimes refers to the shareholdings of one investors or a group of investors that effectively control the firm.

**Controlled commodities**

[Commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) regulated by the [Commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) Exchange Act of 1936 in order to prevent fraud and manipulation in [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Controlled disbursement**

A service that provides for a single presentation of [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) each day (typically in the early part of the day).

**Controlled foreign corporation (CFC)**

A [foreign corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_corporation) whose [voting stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_stock) is more than 50% owned by US [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), each of whom owns at least 10% of the voting power.

**Controller**

The corporate manager responsible for the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) accounting activities. Sometimes referred to as the comptroller (which means the same thing).

**Convenience yield**

The extra advantage that [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) derive from holding the [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) rather than a [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Convention statement**

An [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) statement filed by a [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in each state where it does business in compliance with that state's regulations. The statement and supporting documents show, among other things, the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds) of the reporting company.

**Conventional mortgage**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) based on the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) of the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and on the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Conventional option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) arranged on the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) and traded regularly. The opposite of exotic option.

**Conventional pass-throughs**

Also called [private-label pass-throughs,](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_label_pass_throughs) any [mortgage pass-through security](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security) not [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by government agencies. Compare [agency pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_pass_throughs).

**Conventional project**

A project with a [negative initial cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_cash_flow) (cash outflow), which is expected to be followed by one or more future positive cash flows (cash inflows).

**Convertible**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) that can be exchanged for another [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or equity [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) at a pre-agreed time and exchange ratio.

**Convertible Arbitrage**

In the context of hedge funds, a style of management that involves the simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a convertible bond and the short [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of shares of the underlying stock. [Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) risk may or may not be hedged.

**Convergence**

The movement of the price of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) toward the price of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [cash commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_commodity). At the start, the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) price is usually higher because of [time value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value). But as the contract nears [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration), and time value decreases, the [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) price and the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) price converge.

**Conversion**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), refers to the exchange of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) such as a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) into [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

In the context of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), refers to the free exchange of [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) from one fund to another in a single [family](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#family_of_funds).

**Conversion factors**

Rules set by the [Chicago Board of Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_board_of_trade) for determining the [invoice price](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice_price) of each acceptable deliverable [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) against the [Treasury Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Conversion feature**

Specification of the right to transform a particular [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) to another form of investment, such as switching between [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) or converting [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Conversion parity**

See: [Market conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_conversion_price)

**Conversion parity price**

Related: [Market conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_conversion_price)

**Conversion parity/value**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) price at which a [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) can become exchangeable for [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) of equal value; value of a convertible bond based solely on the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). [Par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) plus [conversion ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_ratio). See [bond value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_value), [investment value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_value), [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity).

**Conversion Period**

The time period during which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can exchange a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) for [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Conversion premium**

The extent by which the [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price) of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) exceeds the prevailing [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) price at the time the convertible security is [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). In general usage, the conversion premium is the amount by which the convertible security trades above its conversted value. For example, if a $1,000 par bond is trading at $1,100, it is convertible into 50 shares, and the shares are trading at $21, the converted value is 50 X 20.50 = $1,025, and the conversion premium is $75.

**Conversion price**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Dollar value at which [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond), debentures, or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) can be converted into [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), as specified when the convertible is [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Conversion ratio**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Relationship that determines how many [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) will be received in exchange for each [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) when a conversion takes place. It is determined at the time of [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and is expressed either as a ratio or as a [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price) from which the ratio can be figured by dividing the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of the convertible by the [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price).

**Conversion value**

The value of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) if it is converted immediately. Also called [parity value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity_value) or converted value.

**Converted put**

See [Synthetic Put](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#synthetic_put).

**Convertibility**

The ability to exchange a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) without government restrictions or controls.

**Convertible adjustable preferred stock (Caps)**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on [caps](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cap) is adjustable and is pegged to [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) rates. They can be exchanged at [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) for [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) or [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) after the next period's [dividend rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_rate) are revealed.

**Convertible arbitrage**

A practice, usually of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) and shorting a percentage of the equivalent [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares), to create a positive [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) (with [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) above the [riskless rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate)) in a static environment and benefit from [capital appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_appreciation) should the convertible's [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) rise. This form of [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) is far from riskless and requires constant monitoring. See: [Chinese hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chinese_hedge) and [setup](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#set_up)

**Convertible bond**

General [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that can be exchanged for a set number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) of the [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) corporation at a [prestated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price).

**Convertible eurobond**

A [eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) that can be converted into another [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), often through [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of attached [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Convertible exchangeable preferred stock**

[Convertible preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_preferred_stock) that may be exchanged, at the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) option, into [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) that have the same conversion features as the convertible [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Convertible 100**

Goldman Sachs [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of the 100 [convertibles](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_100) of greatest institutional importance. Weighted by [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) size, it measures the performance of its components against that of their [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) and against other broad [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) as well.

**Convertible preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that can be converted into [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) at the option of the holder. See also: [participating convertible preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participating_convertible_preferred_stock).

**Convertible price**

The contractually specified price per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at which a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) can be converted into [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Convertible security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that can be converted into [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) at the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of the securityholder; includes [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) and [convertible preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_preferred_stock).

**Convex**

Curved, as in the shape of the outside of a circle. Usually referring to the price/required [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) relationship for [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option)-free [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Convexity**

Property that a curve is above a straight line connecting two end points. If the curve falls below the straight line, it is called [concave](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#concave).

**Cook the books**

To deliberately falsify the [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). This is an illegal practice.

**Cooling-off period**

The period of time between the filing of a preliminary [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) with the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and the actual [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) of the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Cooperative**

An organization owned by its members. Examples are agriculture cooperatives that assist farmers in selling their products more efficiently and apartment buildings owned by the residents who have full control of the property.

**Copenhagen Stock Exchange**

The only [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in Denmark. It features electronic [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Core capital**

The [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) required of a thrift institution, which must be at least 2% of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to meet the rules of the [Federal Home Loan Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_banks).

**Core competence**

Primary area of expertise. Narrowly defined fields or tasks at which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or business excels. Primary areas of specialty.

**Core inflation**

Core inflation for the Consumer Price Index, the Producer Price Index or the Personal Consumption Expenditure Deflator removes the volatile food and energy prices. The Headline inflation includes these components.

**Cornering the market**

Purchasing a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in such volume as to achieve [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over its price. An illegal practice.

**C Corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that elects to be taxed as a corporation. The C corporation pays federal and state income taxes on earnings. When the earnings are [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) as dividends, this income is subject to another round of taxation (shareholder's income). Essentially, the C corporations' earnings are taxed twice. In contrast, the [S corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_corporation) earnings are taxed only once.

**Corporate acquisition**

The [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of one [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by another firm.

**Corporate bonds**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Corporate charter**

A legal document creating a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Corporate equivalent yield**

A [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of the after-tax [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) selling at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) and [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) selling at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par).

**Corporate finance**

One of the three areas of the discipline of [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance). It deals with the operation of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) (both the [investment decision](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) and the financing decision) from the firm's point of view.

**Corporate financial management**

The application of financial principles within a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to create and maintain value through decision-making and proper resource management.

**Corporate financial planning**

[Financial planning](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_planning) conducted by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that encompasses preparation of both [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term)-and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [financial plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Corporate financing committee**

A committee of the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) that reviews [underwriters'](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-required documents to ensure that proposed markups are fair and in the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Corporate income fund (CIF)**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) featuring a fixed [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [high-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_grade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and other [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), usually with monthly [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of income.

**Corporate processing float**

The time that elapses between [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) of payment from a customer and the deposit of the customer's [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) in the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) bank account; the time required to process customer payments.

**Corporate repurchase**

[Active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) of its own [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the marketplace. Reasons for repurchase include putting idle [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to use, raising [EPS](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share), creating support for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price, increasing internal [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) ([shark repellant](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant)), or stock for [ESOP](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#employee_stock_ownership_plan) or [pension plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan). Repurchase is subject to rules, such as that buying must be on a [zero minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_minus_tick) or a [minus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus_tick), after the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) and before 3:30 p.m.

**Corporate tax view**

The argument that double (corporate and individual) taxation of equity returns makes [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) a cheaper [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) method.

**Corporate taxable equivalent**

[Rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) required on a [par bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_bond) to produce the same after-tax [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) that the quoted [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) or [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) bond would generate.

**Corporate Trust**

The function of servicing and maintaining records for [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) securities [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Corporation**

A legal entity that is separate and distinct from its owners. A corporation is allowed to own [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), incur [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), among other things.

**Corpus**

See: [Principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal)

**Correction**

Reverse movement, usually downward, in the price of an individual [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), or [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). If prices have been rising on the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as a whole, and then fall dramatically, this is known as a correction within an upward [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). Antithesis of a [technical rally](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_rally). See: [Dip](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dip), [break](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#break).

**Correlation**

Statistical measure of the degree to which the movements of two variables ([stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)/[option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option)/[convertible prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_price) or [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return)) are related. See: [Correlation coefficient](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation_coefficient).

**Correlation coefficient**

A standardized statistical measure of the dependence of two [random variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable), defined as the [covariance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance) divided by the product of the [standard deviations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of two variables.

**Correlation Dimension**

An estimate of the [Fractal Dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension) which measures the probability that two points chosen at random will be within a certain distance of each other, and examines how this probability changes as the distance is increased. [White noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_noise) will fill its space since its components are [uncorrelated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation), and its [correlation dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation_dimension) is equal to whatever dimension it is placed in. A dependent system will be held together by its correlations and retain its dimension whatever embedding dimension it is placed in, as long as it is greater than its [fractal dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension).

**Correlation Integral**

The probability that two points are within a certain distance from one another. Used in the calculation of the [correlation dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation_dimension).

**Correspondent**

A financial organization that performs services (acts as an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary)) in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for another organization that does not have access to that [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Correspondent bank**

Bank that accepts deposits of, and performs services for, another bank (called a respondent bank); in most cases, the two banks are in different cities.

**Cosigner**

A term referring to a person, other than the principal [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), who signs for a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). The cosigner(s) assumes equal liability for the loan.

**Cost**

The opposite of revenue. An [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) that reflects the price of purchasing goods, services and financial instruments. A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) cost means that cash is given up today to the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase). Also, the purchase price of an investment, which is compared to the sale proceeds to determine capital gain or loss.

**Cost accounting**

A branch of accounting that provides information to help the management of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) evaluate production [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and efficiency.

**Cost and Freight (CFR)**

Seller is responsible for the payment of freight to carry goods to a named destination, as agreed with the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). This should be used with ocean shipments only, as the point where risk and responsibility pass from seller to buyer is the rail of the carrying vessel.

**Cost basis**

The original price of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), used to determine [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Cost-benefit ratio**

The [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) divided by the investment's initial [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). Also called the [profitability index](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profitability_index).

**Cost center**

Any division, department, or subsidiary of a company that has expenses but is not directly producing revenues.

**Cost of capital**

The [required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) for a [capital budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budget) project.

**Cost of carry**

Out-of-pocket [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) incurred while an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) has an investment position. Examples include [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [long positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) lost on [short margin positions,](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) and incidental [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). Related: [Net financing cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_financing_cost).

**Cost-of-carry market**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. [Futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a "cost-of-carry market" where the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) can be stored, [insured](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insured), and converted into the future easily and inexpensively. [Arbitrageurs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrageur), because of the ease of switching from the [spot commodity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_commodity) to [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), will keep these [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in line with prevailing [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Cost company arrangement**

Arrangement whereby the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a project receive output free of charge but agree to pay all operating and [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charges of the project.

**Cost of equity**

The required [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) for an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of 100% [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Cost of funds**

[Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) associated with [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Cost of goods sold**

The total [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [raw materials](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#raw_material), and paying for all the factors that go into producing finished goods.

**Cost of lease financing**

A [lease's](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) [internal rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return).

**Cost of limited partner capital**

The [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) that equates the after-tax inflows with outflows for [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) raised from [limited partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partner).

**Cost Insurance and Freight (CIF)**

Seller is responsible for the payment of freight to carry goods to a named destination, as agreed with the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). The seller is also responsible for providing cargo insurance at minimum coverage against the buyer's risk of loss or damage to the goods during transport. This term should be used with ocean shipments only, as the point where risk and responsibility pass from seller to buyer is the rail of the carrying vessel.

**"Cost me"**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). "The price I must pay to obtain the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) you wish to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) is [$]". Usually, a standard markup is then applied for resale to this [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). Antithesis of [can get](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#can_get).

**Cost-plus contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) in which the selling price is based on the total [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of production plus a fixed percentage or fixed amount.

**Cost-push inflation**

[Inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) caused by rising prices, usually from increased [raw material](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#raw_material) or labor [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that push up the costs of production. Related: [Demand-pull inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#demand_pull_inflation).

**Cost records**

The records maintained by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) of the prices at which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) are made, so that [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) can be [computed](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#precompute).

**Cost Recovery Period**

The number of years it takes to fully [depreciate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) a [capital asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset). This time period is based on classification of the depreciable life of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Council of Economic Advisers**

A group of economists appointed by the [President](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#president) of the United States to provide economic counsel and help prepare the president's budget presentation to Congress.

**Countercyclical stocks**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose price tends to rise when the economy is in recession or the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) is [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear), and vice versa.

**Counterpart items**

In the [balance of payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_of_payments), counterpart items are analogous to [unrequited transfers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#official_unrequited_transfers) in the [current account](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_account). They arise through the double-entry system in balance of payments accounting and refer to adjustments in [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) owing to monetization or demonetization of gold, allocation or [cancellation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) of [SDRs](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#special_drawing_rights), and revaluation of the various components of total reserves.

**Counterparties**

The parties on either side of an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) or a currency, equity or commodity swap, or to an options or futures position.

**Counterparty**

The other participant, including [intermediaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary), in a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) or [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Counterparty risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the other party to an agreement will [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default). In an [options contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract), the risk to the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) that the [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) will not [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) as agreed.

**Counterpurchase**

Exchange of goods between two parties under two distinct [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) expressed in monetary terms.

**Countertrade**

See: [barter](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#barter)

**Country allocations**

The percentages of a fund's [net assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_assets) [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of various countries. These percentages serve as an indicator of a fund's [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) and its vulnerability to [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in foreign [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) or [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Country beta**

[Covariance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance) of a national economy's [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) and the rate of return of the world economy divided by the [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of the world economy.

**Country diversification**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of a global or international [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of various countries.

**Country economic risk**

Developments in a national economy that can affect the outcome of an international financial [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Country financial risk**

Centers around the ability of a national economy to generate enough [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) to meet payments of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on its foreign [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Country risk**

The general level of political, [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), and economic uncertainty in a country which impacts the value of the country's [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and equities. See:[Sovereign risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sovereign_risk).

**Country selection**

A type of [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) international management that measures the [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to performance attributable to [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in the [better-performing stock markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_stock) of the world.

**Coupon**

The contractual interest obligation a bond or debenture issuer covenants to pay to its debtholders.

**Coupon bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) featuring [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) that must be presented to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in order to receive [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments).

**Coupon-equivalent rate**

See: [Equivalent bond yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equivalent_bond_yield)

**Coupon equivalent yield**

True [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) expressed on the basis of a 365-day year.

**Coupon pass**

Canvassing by the desk of primary [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to determine the [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) and [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of their [Treasury securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities). The desk then decides whether to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell certain [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) ([coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon)) in order to add or withdraw [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve).

**Coupon payments**

A [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments.

**Coupon rate**

In [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), or other [fixed income securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities), the [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) percentage [rate of interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_interest), usually paid twice a year.

**Covariance**

A statistical measure of the degree to which [random variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) move together. A positive covariance implies that one [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) is above (below) its [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) value when the other [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) is above (below) its mean value.

**Covenant**

An agreed action to be undertaken (Positive) or not done (Negative). A breach of a covenant is a [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Cover**

The amount above UNITY of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service ratio.

**Coverage**

See: [Fixed-charge coverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_charge_coverage_ratio)

**Coverage initiated**

Usually refers to the fact that [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) begin following a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). This usually happens when there is enough [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in it to warrant attention by the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) community.

**Coverage ratios**

Ratios used to test the adequacy of [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) generated through [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) for purposes of meeting [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), including the [interest coverage ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_coverage_ratio) and the [fixed-charge coverage ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_charge_coverage_ratio).

**Covered**

A written option is considered to be covered if the writer also has an opposing market position on a share-for-share basis in the underlying security. That is, a short [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) is covered if the underlying stock is owned, and a short put is covered (for margin purposes) if the underlying stock is also short in the account. In addition, a short call is covered if the account is also long another call on the same security, with a striking price equal to or less than the striking price of the short call. A short put is covered if there is also a long put in the account with a striking price equal to or greater than the striking price of the short put.

**Covered call**

A [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which the [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) owns the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stock represented by the [option contracts.](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) Covered [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) generally limit the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) the [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) takes because the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) does not have to be bought at the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price), if the holder of that [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) decides to [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) it.

**Covered call writing strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves writing a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) owns. See: [Covered or hedge option strategies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_or_hedge_option_strategies).

**Covered foreign currency loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) other than that of the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) home country, for which repayment terms are prearranged through the use of a [forward currency contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_forward_contract).

**Covered interest arbitrage**

Occurs when a [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager) [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) dollars in an [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) and [hedges](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) the resulting [foreign exchange risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange_risk) by selling the proceeds of the investment [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward) for dollars.

**Covered Interest Rate Parity**

The principle that the [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) from interest-bearing foreign and domestic [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) should be equal when the [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_currency_contract) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) is used to predetermine the domestic currency payoff from a foreign investment.

**Covered or hedge option strategies**

[Strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involve a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) as well as a position in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), designed so that one [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) will help [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) any unfavorable price movement in the other, including [covered call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_call) writing and [protective put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protective_put_buying_strategy) [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). Related: [Naked strategies](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_strategies)

**Covered option**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) that is [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by an equal and opposite position in the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). Antithesis of [naked option](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_option_strategies).

**Covered position**

Use of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) in a [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) which is already owned.

**Covered put**

A [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which the [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) also is [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) the corresponding [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or has deposited, in a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) account, cash or cash equivalents equal to the [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) price of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). This limits the [option writer's](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) because [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is already set aside. In the event that the holder of the [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) decides to exercise the option, the writer's risk is more limited than it would be on an [uncovered](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uncovered_put) or [naked put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_option_strategies).

**Covered straddle**

An option [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) in which one [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) and one put with the same [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) and [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) are written against 100 shares of the underlying stock. In actually, this is not a "[covered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered)" [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) because assignment on the short put would require [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of stock on margin. This method is also known as a covered combination.

**Covered straddle write**

The term used to describe the [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) owns the underlying security and also writes a straddle on that security. This is not really a [covered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) position.

**Covered writer**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who writes [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) only on [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that he or she owns, so that [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) premiums may be [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection).

**Covering**

Using [forward currency contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_forward_contract) to predetermine the domestic [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) amount of an expected future foreign receipt or payment. Also, the buying back ('covering') of a short position.

**CPI**

A measure of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation). See: [Consumer Price Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_price_index).

**Cramdown**

The ability of the [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) court to confirm a plan of [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) over the objections of some [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor).

**Cram-down deal**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) in which [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) are forced to accept undesirable terms, such as [junk bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond) instead of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), due to the absence of any better alternatives.

**Crash**

Dramatic loss in [market value.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) The last great crash was in 1929. Some refer to October 1987 as a crash but the [market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return) for the entire year of 1987 was positive.

**Crawling peg**

An automatic system for revising the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate). It involves establishing a [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) around which the rate can vary up to a given percent. The par value is revised regularly according to a formula determined by the authorities.

**Credible signal**

A [signal](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#signal) that provides accurate information; a signal that can distinguish among senders.

**Credit**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [loaned](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Credit analysis**

Evaluating information on [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in order to estimate the ability of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to live up to its future [contractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). Related: [Default risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default_risk).

**Credit balance**

The [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds) in a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) with a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) after [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) have been paid for, plus the extra cash from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Credit bureau**

An [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that researches the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) history of consumers so that [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) can make decisions about granting of [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Credit card**

Any card, plate or coupon book that may be used repeatedly to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) goods and services on [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Credit enhancement**

The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) of a large insurance [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to raise funds. In the context of project financing, the issuance of a guarantee or additional [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) to reinforce the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) strength of a project financing. Also, the reduction of counterparty risk on a swap transaction through such measures as [bilateral netting.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bilateral_netting)

**Credit history**

A record of how a person has [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and repaid [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Credit insurance**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) against abnormal [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) due to unpaid [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Credit linked security**

A [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) whose [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) depends upon a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) event or credit measure of a referenced entity or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) such as [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default), [credit spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_spread), or [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) change. The manager would [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) such a note to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against possible down grades, or [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [defaults](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) that would [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) payment into the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of the manager even if [moneys](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) on referenced assets are reduced.

**Credit period**

The length of time for which a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) customer is granted [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Credit Policy Delay**

The period between the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of goods for a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and the payment for those goods. This [lag](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lag) is determined largely by the selling [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) credit policy.

**Credit Rating Agencies**

[Firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that compile information on and [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [credit ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) for a large number of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Credit Standards**

The guidelines a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) follows to determine whether a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) applicant is [creditworthy](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness).

**Credit Terms**

The conditions under which [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) will be extended to a customer. The components of credit terms are: [cash discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_discount), [credit period](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_period), [net period](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_period).

**Creditworthiness**

The condition in which the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) by that entity is deemed low.

**Credit quality**

A measure of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) ability to repay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) in a timely manner. [Rating agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating_agencies) assign letter designations such as AAA, AA, and so forth. The lower the rating, the higher the probability of default.

**Credit rating**

An evaluation of an individual's or [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) ability to repay [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) or its likelihood of not [defaulting](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) See: [Creditworthiness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness).

**Credit risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of [debt securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) or a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) may [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on its [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), or that the payment may not be made on a negotiable instrument. Related: [Default risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default_risk).

**Credit scoring**

A statistical technique that combines several financial characteristics to form a single score to represent a customer's [creditworthiness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness).

**Credit spread**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. Difference in the value of two [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), when the value of the one sold exceeds the value of the one bought. One sells a "credit spread." Antithesis of a [debit spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debit_spread) Related: [Quality spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quality_spread).

**Credit union**

A [not-for-profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_for_profit) institution that is operated as a [cooperative](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cooperative) and offers financial services such as low-[interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to its members.

**Credit watch**

A warning by a [bond rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_rating) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) indicating that a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) may change after the current review is concluded.

**Crediting rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) offered on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) type [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Creditor**

[Lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Creditor's committee**

A group representing [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that have claims on a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) facing [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) or extreme financial difficulty.

**Creditworthiness**

Eligibility of an individual or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Creeping expropriation**

The act of a government squeezing a project by taxes, [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations), access, or changes in law.

**Creeping tender offer**

The process by which a group attempting to circumvent certain provisions of the [Williams Act](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#williams_act) gradually acquires [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) in the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**CREST**

CREST is CrestCo's real-time [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) system for UK and Irish shares and other corporate [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). CrestCo has provided settlement systems for [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) and money market instruments in the UK since 1990.

**Crisp Sets**

The [fuzzy set](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fuzzy_logic) term for traditional set theory. That is, an object either belongs to a set, or does not.

**Critical Levels**

Values of [control parameters](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control_parameters) where the nature of a nonlinear dynamic system changes. The system can [bifurcate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bifurcation), or make the transition from stable to turbulent behavior. An example is the straw that breaks the camel's back.

**Cross**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the same [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) acts as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for both sides of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade); a legal practice only if the broker first [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) the securities [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) at a price higher than the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**Cross-border factoring**

Concluding a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) by a network of factors across borders. The exporter's [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) can contact [correspondent](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) factors in other countries to handle the [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) of [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Cross-border risk**

Describes the [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) of [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on international [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) caused by events associated with a particular country as opposed to events associated solely with a particular economic or financial [agent.](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent)

**Cross-Collateral**

An agreement among project participants to [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral), to allow recourse to each other's collateral.

**Cross-default**

A provision under which [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on one [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) triggers [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on another debt obligation.

**Cross hedging**

Applies to [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) products. [Hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) with a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) that is different from the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) being hedged. Use of a hedging [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) different from the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) being hedged. Hedging [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) are usually selected to have the highest price [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) to the underlying.

**Cross-holdings**

The holding by one [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). One needs to allow for cross-holdings when [aggregating](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) [capitalizations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) of firms. Ignoring cross-holdings leads to double-counting.

**Cross rates**

The [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between two [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) expressed as the ratio of two [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) rates that are both expressed in terms of a third currency. Foreign exchange rate between two currencies other than the US dollar, the [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in which most exchanges are usually quoted.

**Cross-sectional analysis**

Assessment of relationships among a cross-section of [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), countries, or some other [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) at one particular time.

**Cross-Sectional Ratio Analysis**

A method of analysis that compares a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ratios with some chosen [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark). The [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) usually chosen is the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) ratio value for all firms in an industry for the time period under study.

**Cross-sectional approach**

A statistical methodology applied to a set of firms at a particular time.

**Cross-share holdings**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Corporations'](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or governments' [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) share ownership in another corporation's [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Cross-border bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the international market.

**Crossed market**

In the context of general equities, happens when the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) consists of a highest [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) that is higher than the lowest [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) price. See: [Overlap the market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overlap_the_market).

**Crossed trade**

The prohibited practice of [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) without recording the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), thus not allowing other [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to take advantage of a more favorable price.

**Crossover rate**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) at which two alternative projects have the same [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value).

**Crowd trading**

Used for listed equity securities. Group of [exchange members](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) with a defined area of function tending to congregate around a [trading post](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_posts) pending [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). Includes [specialists](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist), [floor traders](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_trader), [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), and other [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) as well as smaller groups with specialized functions. See: [Priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority).

**Crowding out**

Heavy federal [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that drives [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) up and prevents businesses and consumers from [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) when they would like to.

**Crown jewel**

A particularly [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or otherwise particularly valuable corporate [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). The most desirable entities within a [diversified corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) as measured by [asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_value), [earning power](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earning_power), and business prospects; in [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempts, these entities typically are the main objective of the [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) and may be sold by a [takeover target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to make the rest of the company less attractive. See: [Scorched earth policy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#scorched_earth_policy).

**Crown Law**

A law derived from English law (ie. England, Ireland, Canada, PNG, Australia, Hong Kong, Singapore, India, Malaysia).

**Cum dividend**

With [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend); said of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) is eligible to receive a [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) dividend. Stocks are usually "cum dividend" for [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) made on or before the third trading day preceding the [record date](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#record_date), when the register of eligible holders is closed for that dividend period. Antithesis of [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend).

**Cum rights**

With [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right).

**Cumulative abnormal return (CAR)**

Sum of the differences between the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) ([systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) multiplied by the [realized market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#realized_return)) and the actual [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) often used to evaluate the impact of news on a stock price.

**Cumulative dividend feature**

A requirement that any missed [preferred or preference stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) be paid in full before any dividend payment on common shares is made.

**Cumulative preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) whose [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [accrue](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest), should the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) not make timely [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments. Related: [Non-cumulative preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#non_cumulative_preferred_stock).

**Cumulative probability distribution**

A function that shows the [probability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) that the [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) will attain a value less than or equal to each value that the random variable can take on.

**Cumulative total return**

The actual performance of a fund over a particular period.

**Cumulative Translation Adjustment (CTA) account**

An entry in a translated [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) in which [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) and/or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from translation have been [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) over a period of years. The C.T.A. account is required under the [FASB No. 52 rule](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fasb_no._52).

**Cumulative voting**

A system of voting for directors of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) in which [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) total number of votes is equal to the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) held times the number of candidates.

**The Curb**

Another name for the [American Stock Exchange (AMEX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange).

**Cure**

To make good a [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Currency**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Currency appreciation**

An increase in the value of one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) relative to another currency. Appreciation occurs when, because of a change in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate), a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of one currency [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) more units of another currency.

**Currency arbitrage**

Taking advantage of [divergences](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#divergence) in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) in different [money markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in one [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and selling it in another market.

**Currency basket**

The value of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of specific amounts of individual [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), used as the basis for setting the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of another currency. It is also referred to as a currency cocktail.

**Currency Board**

Entity charged with maintaining the value of a local [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) with respect to some other specified currency.

**Currency call option**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that gives the holder the right to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a specific [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at a specified price ([exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate)) within a specific period of time.

**Currency Carry Trade**

A carry trade where you borrow and pay interest in order to buy something else that has higher interest. For currencies, it might be that you borrow in Yen (where the interest rate might be low) and use the proceeds to purchase U.S. dollar long term debt. While the trade might produce a positive return, it is risky in two dimensions. First, U.S. rates could increase diminishing the value of the bond you purchased. Second, the exchange rate could take an unfavorable move effectively increasing your borrowing costs. Related: [Carry Trade.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carry_trade)

**Currency depreciation**

A decline in the value of one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) relative to another currency. [Depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) occurs when, because of a change in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate), a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of one currency [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) fewer units of another currency.

**Currency devaluation**

A deliberate downward adjustment in the official [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) established, or pegged, by a government against a specified standard, such as another [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) or gold.

**Currency diversification**

Using more than one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) as an [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) or [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy). Exposure to a diversified currency [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) typically entails less [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) risk than if all the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) exposure were in a single foreign currency.

**Currency Exchange Risk**

Uncertainty about the rate at which revenues or [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) can be converted into another currency.

**Currency futures contract**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) specifying a standard [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of a particular [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to be exchanged on a specific [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date).

**Currency future**

A [financial future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_future) contract for the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of a specified foreign [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Currency hedge**

Applies mainly to international equities. [Hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) technique to guard against [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) fluctuations (i.e., [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) Euro l00 mm when holding a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) of Euro l00 mm in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)).

**Currency in circulation**

Paper [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money), coins, and demand deposits that constitute all the money circulating in the economy.

**[Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm" \l "currency) no longer issued**

Old and new [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) gold and silver [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), [Federal Reserve notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_notes), [national bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_bank) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), and 1890 Series Treasury notes.

**Currency put option**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that gives the holder the right to sell a particular [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at a specified price ([exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate)) within a specified period of time.

**Currency option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency).

**Currency overvaluation**

Applies mainly to international equities: (1) consideration that a [currency is overvalued](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_overvaluation) if private demand for the currency at the going [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) is less than total private supply (i.e., [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) are [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) up the difference, supporting the value of the currency through [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) intervention); (2) currency value exceeding [purchasing power parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_parity).

**Currency revaluation**

A deliberate upward adjustment in the official [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) established, or pegged, by government against a specified standard, such as another [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) or gold.

**Currency risk**

Related: [Exchange rate risk](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate_risk)

**Currency selection**

[Asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) allocation in which the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) chooses among [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in different [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Currency swap**

An agreement to [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) a series of specified payment [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) for a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of specified payment obligations denominated in a different currency. Usually fixed for fixed.

**Current account**

[Net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) flow of goods, services, and unilateral [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) (gifts) between countries.

**Current account balance**

The difference between the nation's total exports of goods, services and [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) and its total imports of them. Current account balance calculations exclude [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in financial assets and liabilities.

**Current assets**

Value of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable), [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), [marketable securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marketable_security) and other [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that could be converted to [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in less than 1 year.

**Current coupon**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) selling at or close to [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par), that is, a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) close to the [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) currently offered on new bonds of a similar [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) and [credit risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_risk).

**Current Coupon Bond**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on which the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) is set approximately equal to the [bonds'](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) at the time of their [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Current-coupon issues**

Related: [Benchmark issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark)

**Current dollar**

Refers to the use of actual or real prices and [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). Escalation or [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) effects are included.

**Current income**

Regular series of cash flows that is routinely received from [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in the form of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), and other income sources.

**Current income bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) paying semiannual [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) to holders. Interest is not included in the accrued discount.

**Current issue**

In [Treasury securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities), the most recently [auctioned](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auction_markets) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). [Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is more [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) in current issues than in off-the-run issues. Also known as on-the-run issue.

**Current liabilities**

Amount owed for [salaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable) and other [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) due within 1 year.

**Current market value**

The value of a client's [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) at today's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price), as listed in a brokerage statement.

**Current maturity**

Current time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) on an [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument).

**Current/noncurrent method**

The translation of all of a foreign [subsidiary's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) into home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at the current [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) while noncurrent assets and liabilities are translated at the [historical exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#historical_exchange_rate); that is, the rate in effect at the time the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) was [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) or the liability incurred.

**Current order**

In the context of [periodic repayment schedules](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_payments), the next periodic [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) repayment.

**Current production rate**

The highest [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) permissible on current [Government National Mortgage Association,](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association) [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Current rate method**

The translation of all [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet_identity) and income statement items at the current [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Current ratio**

Indicator of [short-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term_debt)-[paying ability](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ability_to_pay). Determined by dividing [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) by [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities). The higher the ratio, the more [liquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Currency risk sharing**

An agreement by the parties to a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) to share the [currency risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_risk) associated with the transaction. The arrangement involves a customized [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) embedded in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) transaction.

**Current yield**

For [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) rate divided by the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Cushion**

In the context of project financing, the extra amount of [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) remaining after expected [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Cushion bonds**

High-[coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) bonds trading at a premium that tend to fall in price much less than comparable bonds when interest rates rise (hence the cushion effect), because of their high coupons.

**Cushion theory**

The theory that a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with many [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) taken in it will rise, because these [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) must be [covered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) by the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**CUSIP number**

Unique number given to a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to distinguish it from other [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [registered bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_bond). See: [Committee on Uniform Securities Identification Procedures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#committee_on_uniform_securities_identification_procedures).

**Custodial fees**

Fees charged by an institution that holds [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in safekeeping for an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Custodian**

Either (1) a bank, [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), [trust company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust_company), or other organization responsible for safeguarding [financial assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets), or (2) the individual who oversees the [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a minor's custodial account.

**Custodian bank**

Applies mainly to international equities. Bank or other [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that keeps custody of [stock certificates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_certificate) and other [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), individual, or corporate client. See: [Depository Trust Company (DTC](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_company))

**Customary payout ratios**

A range of [payout ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payout_ratio) that is typical according to an analysis of comparable [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**"Customer picking prices"**

Customer is firm on price and has set the price at which to [transact](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Customer's [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm" \l "loan) consent**

Agreement signed by a [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) customer that allows a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [margin securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_security) up to the level of the customer's [debit balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debit_balance) to help cover other customers' [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position).

**Customers' net debit balance**

The total amount of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) given by [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) customers purchasing [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Customized benchmarks**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) that is designed to meet a client's requirements and [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) objectives.

**Customs Broker**

An individual or firm licensed by customs authorities to enter and clear imported goods through customs. The broker represents the importer in dealings with the customs authorities.

**Customs union**

An agreement by two or more countries to erect a common external [tariff](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tariff) and to abolish restrictions on [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) among members.

**Cut Off Date**

The date prescribed in the unclaimed property law in most states for determining the items of property that must be turned over to the state. See: [Escheat](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#escheat).

**Cutoff point**

The lowest [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) acceptable on [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Cycles**

A full orbital period.

**Cyclical stock**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that tends to rise quickly when the economy turns up and fall quickly when the economy turns down. Examples are housing, automobiles, and paper.

**Cyclical unemployment**

Unemployment caused by a low level of aggregate demand associated with recession in the [business cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle).

**D**

Fifth letter of a [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that it is a new issue, such as the result of a reverse split.

**D/A**

See: [Documents Against Acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#documents_against_acceptance)

**DCF**

See: [Discounted Cash Flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discounted_cash_flow)

**DSCR**

See: [Debt-service coverage ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service_coverage_ratio)

**DDM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for former East Germany Ostmark.

**DDM**

See: [Discounted Dividend Model](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discounted_dividend_model)

**DE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GERMANY.

**DEM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Deutschemark.

**DEQ**

Abbreviation for the Incoterm "Delivered Ex Quay."

**DES**

Abbreviation for "Delivered Ex Ship."

**DISC**

See: [Domestic International Sales Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_international_sales_corporation)

**DITM**

See: [Deep in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deep_in_the_money)

**DJ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for DJIBOUTI.

**DJF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Djibouti Franc.

**DK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for DENMARK.

**DKK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Danish Krone.

**DM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for DOMINICA.

**DNR Order**

See: [Do Not Reduce Order](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#do_not_reduce_order)

**DO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for DOMINICAN REPUBLIC.

**DOP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Dominican Republic Peso.

**DOT**

See: [Designated Order Turnaround System](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#designated_order_turnaround)

**DOTM**

See: [Deep out of the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deep_in_the_money)

**D/P**

Abbreviation for [Documents Against Payment.](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#documents_against_payment)

**DRP**

See: [Dividend Reinvestment Plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_reinvestment_plan)

**DTC**

See: [Depository Transfer Check](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_transfer_check)

**DTC**

See: [Depository Trust Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_company)

**DTCC**

See: [Depository Trust and Clearing Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_and_clearing_corporation)

**DZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ALGERIA.

**DZD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Algerian Dinar.

**Daily price limit**

The level within many [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_market), and options markets are allowed to rise or fall in a day. [Exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) usually impose a daily price limit on each [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Daisy chain**

Manipulation of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to create the illusion of [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) to attract [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Date of issue**

Used in the context of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to refer to the date on which a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and when [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) beings to accrue to the [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder). Used in the context of stocks to refer to the date [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) begins on a new [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Date of payment**

Date [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) are mailed.

**Date of record**

Date on which holders of record in a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) stock ledger are designated as the recipients of either [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or [stock rights](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_right).

**Dated date**

The date one uses to calculate [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) on various [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument), specifically [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Dates convention**

Treating [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) as being received on exact dates-date 0, date 1, and so forth-as opposed to the [end-of-year convention](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#end_of_year_convention).

**Dating**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) extension beyond normal terms of a credit supplier.

**Dawn raid**

A term of British origin used to describe the purchase of all available [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) at the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) by a raider. A dawn raid is a surprise technique that allows the raider to gain a substantial share of the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) before the target company knows what is happening.

**Day around order**

A [day order](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_order) that supersedes ([cancels](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) and replaces) the previous [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) by altering its size or [price limit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price).

**Day of deposit to day of withdrawal account**

A bank [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) that pays [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) according to the number of days that the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is actually on deposit.

**Day loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) from a bank to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) prior to the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Upon the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the securities, a day [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) becomes a regular [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [call loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_loan) for which securities serve as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral).

**Day order**

In the context of general equities, request from a customer to either buy or sell stock, that, if not [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) or [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) the day it is placed, expires automatically. All [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) are day orders unless otherwise specified. [Traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) often make calls before the opening to check for [renewals](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#renewal).

**Day trade**

Also known as a "daylight [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade)." The purchase and sale or the short sale and cover of the same security in a margin account on the same day.

**Day trading**

Establishing and liquidating the same [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) or positions within one day's [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Days in receivables**

Average collection period.

**Days' sales in inventory ratio**

The average number of days' worth of sales that is held in [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**Days' sales outstanding**

Average collection period.

**De facto**

Existing in actual fact although not by official recognition.

**Dead cat bounce**

A small upmove in a [bear](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Deal flow**

In [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank), the rate at which new deals are referred to a brokerage firm.

**Deal stock**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) subject to [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition), either [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) announced or rumored.

**Dealing desk (Trading desk)**

Personnel at an international bank who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [spot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_trade) and forward [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange).

**Dealer**

An entity that stands ready and willing to buy a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for its own account (at its [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices)) or sell from its own account (at its [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) price). Individual or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) acting as a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) in a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). [Principals](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) are [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) in securities, and thus trade for their own account and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). Antithesis of [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). See: [Agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency).

**Dealer loan**

Overnight, [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) from a [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) bank made to a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) financing his [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) by [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Dealer market**

Where [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) specializing in particular [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) buy and sell [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) for their own accounts.

**Dealer options**

[Over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), such as those offered by government and [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Dealer's spread**

See: [markdown](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markdown); [underwriting spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_spread).

**Dear money**

British term for [tight money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tight_market).

**Death-backed bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) backed by [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) against a [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy). The policyholder will repay the loans while alive or with the benefits from the [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) upon death.

**Death play**

A stock [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) on the belief that a key executive will die, the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) will be dissolved, and [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) will command a higher price at their [private market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_market_value).

**Death Spiral Convertible**

Used by companies that are in such bad shape, that there is no other way to get financing. This instrument is similar to a convertible bond, but convertible at a discount to the share price at issuance and for a fixed dollar amount rather than a specific number of shares. The further the stock falls, the more shares you get. Popular in the mid to late 1990s. Also known as toxic convertibles or floorless convertibles.

**Death Valley Curve**

In [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital), refers to the period before a new [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) starts generating revenues, when it is difficult for the company to raise [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Debenture**

Any [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) backed strictly by the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) integrity, e.g. an un[secured bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_bond). A debenture is documented in an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture).

**Debenture bond**

An [unsecured bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_bond) whose holder has the claim of a general [creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) on all [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) not pledged specifically to [secure other debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt). Compare [subordinated debenture bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debenture_bond) and [collateral trust bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral_trust_bonds).

**Debenture stock**

A type of stock that makes fixed payments at scheduled intervals of time. Debenture stock differs from a [debenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture) in that it has the status of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), not [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), in [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Debit**

An [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), or [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) paid out from an account. A debit [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) is one which the net cost is greater than the net sale proceeds. See also [Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Debit balance**

The amount that is owed to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) by a [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) customer for [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) the customer uses to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Debit card**

A card that resembles a credit card but which debits a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) account ([checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) account) with the transfers occurring contemporaneously with the customer's purchases. A debit card may be machine readable, allowing for the activation of an automated teller machine or other automated payments equipment.

**Debit spread**

Applies to derivative products. Difference in the value of two [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), when the value of the option bought exceeds the value of the one sold. One [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a "debit spread." Antithesis of a [credit spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_spread).

**Debt**

Money [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Debt bomb**

A [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) by a major [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that disrupts the stability of the economic system.

**Debt capacity**

Ability to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow). The amount a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can borrow up to the point where the firm value no longer increases.

**Debt ceiling**

See: [Debt limit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_limit)

**Debt displacement**

The amount of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that [leasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) displaces. [Firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that do a lot of leasing are curtailed in their [debt capacity](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_capacity).

**Debt/equity ratio**

Indicator of [financial leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage). Compares [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) provided by [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) to assets provided by [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). Determined by dividing [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) by common [stockholder equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity).

**Debt-for-equity swap**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) agreement to exchange [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity)/[returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) for [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) returns or the converse over a prearranged length of time.

**Debt instrument**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) requiring fixed dollar payments, such as a government or [corporate bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds).

**Debt leverage**

Amplification of the [return earned on equity](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_equity) when an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is financed partially with [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Debt limit**

The maximum amount that a municipality can [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Debt limitation**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to incur additional indebtedness in some way.

**Debt market**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument).

**Debt outstanding subject to limitation**

[Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) incurred by the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) subject to the [statutory limit](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statutory_debt_limit) set by Congress. Until World War 1, a specific amount of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) was authorized for each separate security [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Beginning with the Second Liberty Loan Act of 1917, the nature of the limitation was modified until, in 1941, it developed into an overall limit on the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) Federal debt. The statuatory limit may change from year to year.

**Debt ratio**

Total [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) divided by total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Debt relief**

Reducing the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and/or [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments on [Less developed country loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#less_developed_countries).

**Debt retirement**

The complete repayment of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). See: [Sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund).

**Debt securities**

IOUs created through [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan)-type [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_loan)-[commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper), bank [CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit), bills, [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and other [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Debt service**

[Interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) plus repayments of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) to [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) (retirement of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)).

**Debt service coverage**

The ratio of [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) available to the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to the annual [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments on a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or other [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Debt-service coverage ratio**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax), divided by [interest expense](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_expense) plus the quantity of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) repayments divided by one [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_tax_rate).

**Debt service parity approach**

Payment alternatives that provide the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with the exact same schedule of after-tax [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) payments (including both [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal)).

**Debt swap**

A set of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a country's dollar bank debt at a discount and [swaps](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) this debt with the [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) for local [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that it can use to acquire local [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). Also called a [debt-equity swap.](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_for_equity_swap)

**Debtholder**

See: [Bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder)

**Debtor**

[Borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Debtor in possession**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that continues to operate under the [Chapter 11](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chapter_11_proceedings) [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) process.

**Debtor-in-possession financing**

New [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) obtained by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) during the [Chapter 11](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chapter_11_proceedings) [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) process, Federal Bankruptcy Rule 4001 (c)(1). This financing is unique because it is secured, that is, it has priority over existing [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), equity and other claims.

**Decile rank**

Performance over time, rated on a scale of 1-10. 1 indicates that a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is in the top 10% of funds being compared; while 3 means the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is in the top 30%.

**Decimal trading**

The [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) prices in decimals, as opposed to the quotation of prices in fractions.

**Decimalization**

The quotation and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) prices in decimals, as opposed to fractions such as eighths.

**Decision Break-Point Analysis**

A type of sensitivity analysis that indicates the value at which a key [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) will result in a negative [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) for an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) project.

**Decision tree**

Schematic way of representing alternative sequential decisions and the possible outcomes from these decisions.

**Declaration date**

The date on which a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) meet and announce the date and amount of the next [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Declaration**

The [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) motion to authorize [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments.

**Dedicated capital**

Total [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) (number of shares [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), multiplied by the par value of each share). Also called dedicated value.

**Dedicating a portfolio**

Related: [Cash flow matching](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow_matching)

**Dedication strategy**

Refers to multiperiod [cash-flow matching](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow_matching).

**Deductible**

An amount or period which must be deducted before an insurance payout or [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) is calculated.

**Deductible contribution**

Amount paid into an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account), an employer-sponsored retirement plan, or other type of retirement plan for a particular tax year that is a [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) from income for tax purposes.

**Deduction**

An [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) that is allowable as a reduction of [gross taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_income) by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) e.g., charity donations.

**Deductive reasoning**

Using known facts to draw a conclusion about a specific situation.

**Deed of trust**

See: [Indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture)

**Deep-discount bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with a very low [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) or no [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) that sells at a price far below [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that has no coupon is called a [zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond).

**Deep in the money**

A [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) with an [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) substantially below the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stock's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). Also [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) with an [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) substantially above the underlying stock's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). Often substantially below is defined as more than one [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) below (for [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call))/above (for [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) the current value of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Deep out of the money**

A [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) with an [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) substantially above the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). Also [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) with an [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) substantially below the underlying stock's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). Often substantially below is defined as more than one [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) below (for [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call))/above (for [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) the current value of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Default**

The failure to make timely payment of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or to otherwise comply with the provisions of a [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture). A breach of a [covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covenant). In context of project financing, a technical default signals a project parameter is outside defined or agreed limits or a legal matter is not yet resolved.

**Default interest**

A higher [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) payable after [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Default premium**

A differential in promised [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) that compensates the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) for the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) inherent in purchasing a [corporate bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) that entails some risk of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default). Often the premium is measured as the yield over and above a government bond yield of similar coupon and maturity.

**Default risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) may be unable to make timely [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments. Also referred to as [credit risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_risk) (as gauged by [commercial rating companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating_agencies)).

**Defeasance**

The setting aside by a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) sufficient to service the borrower's [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). Both the borrower's debt and the [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) cash or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are removed from the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet). In securities [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), where a [clearing house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) becomes [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) to each side of a trade, after the trade has been agreed. This is necessary to facilitate [netting](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting), and reduce counterparty [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) exposure. The term has become popular recently, because of the growth of central counterparty clearing services in European cash equities markets.

**Defensive securities**

Low-[risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) stocks or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that will provide a predictable and safe [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on an [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Deferred account**

A type of [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) that delays taxes on that account until some later date. An example is an IRA account.

**Deferred annuities**

Tax-advantaged life insurance products. [Deferred annuities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_annuities) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) deferral of taxes with the option of withdrawing one's funds in the form of a [life annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_annuity).

**Deferred call**

A provision that prohibits the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) from calling the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) before a certain date. During this period the bond is said to be [call protected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_protection).

**Deferred charge**

An expenditure treated as an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that carries forward until it becomes pertinent to the business at hand, e.g., the underwriting fees on a corporate bond issue, which the corporation capitalizes as a deferred charge and then amortizes over the life of the bond issue.

**Deferred compensation**

An amount that has been earned but is not actually paid until a later date, typically through a payment plan, pension, or [stock option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option) plan.

**Deferred equity**

A common term for [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond), which recognizes their [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) component and the expectation that the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) will ultimately be converted into shares of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Deferred futures**

The most distant months of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Deferred interest bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that pays [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) at a later date, usually in one [lump sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum), effectively reinvesting [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) earned over the life of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). See: [Zero coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond).

**Deferred nominal life annuity**

A monthly [fixed-dollar payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_dollar_obligations) beginning at [retirement age](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire). It is [nominal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal) because the payment is fixed in a dollar amount at any particular time, up to and including [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire).

**Deferred payment annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) that stipulates payments be made to the annuitant at a later date, such as when the annuitant reaches a certain age.

**Deferred tax expense**

A [non-cash expense](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noncash_charge) that provides a source of [free cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_cash_flows). Amount allocated during the period to cover tax liabilities that have not yet been paid.

**Deficiency**

The amount by which a project's [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) is not adequate to meet [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Deficiency Agreement**

An agreement that calls on the sponsor or another party to provide the shortfall when [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow), [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital), or revenues are below agreed levels or are insufficient to meet [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Deficiency letter**

Notification from the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) to a prospective [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that revisions or additions need to be made to the preliminary prospectus.

**Deficit**

An excess of [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) over [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), of losses over [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit), or of expenditure over income.

**Deficit spending**

When government spending overwhelms government revenue resulting in government [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Defined asset fund**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) consisting of a fixed [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), including [blue chips](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blue_chip_company), [REITs](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r.e.i.t.), or high-[yielding](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) stocks on a major [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) such as the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) or [FTSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#footsie).

**Defined benefit plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) obliging the sponsor to make specified dollar payments to qualifying employees at retirement. The pension [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) are effectively the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) obligation of the [plan sponsor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plan_sponsors). Related: [Defined contribution plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_contribution_plan)

**Defined contribution plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) whose [sponsor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plan_sponsors) is responsible only for making specified [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) into the plan on behalf of qualifying participants. Related: [Defined benefit plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_benefit_plan)

**Defined event**

The definition applicable to the trigger of a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in an insurance policy, particularly [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk) insurance.

**Deflation**

Decline in the prices of goods and services. Antithesis of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Deflator**

A statistical factor used to convert current dollar [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power) into [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation)-adjusted purchasing power. Enables the comparison of prices while accounting for inflation in two different time periods.

**Delayed issuance pool**

Refers to [mortgage backed securities (MBS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) that at the time of issuance were [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) by seasoned [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) originated prior to the MBS pool [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) date.

**Delayed opening**

Postponement of the start of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) until correction of a gross [imbalance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#imbalance_of_orders) in buy and sell orders. Such an imbalance is likely to follow on the heels of a significant event such as a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer). See: [Suspended trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#suspended_trading).

**Delayed settlement/delivery**

In the context of general equities, [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is settled in excess of five full business days. [Seller's option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sellers_option). See: [Dividend play](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_trade_roll_play), [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement).

**Delinquency**

Failure to make a payment on a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) or [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) by the specified [due date](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#due_date).

**Delisting**

Removal of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from listing on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) because the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has not abided by specific regulations.

**Deliver**

The sale of a [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) or [forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract) may require the seller to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) the [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) during the delivery month, if the short position is not offset prior to that time.

**Deliverable bills**

The [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) that fulfill a set of guidelines set forth by the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) on which the bills are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Deliverable instrument**

The [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in a [forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract) that will be [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) in the future at an agreed-upon [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Delivered at Frontier (DAF)**

Seller must supply the goods at his or her own risk and [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) delivered to a named place (usually a border location) by a specified time. The buyer is responsible for the importation. This is normally is used with rail, truck, or multi-modal shipments.

**Delivered Duty Paid (DDP)**

Seller must supply the goods at his or her own risk and [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) to a named place in the country of importation. The seller is responsible for importation, payment of duty, and [on carriage](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_carriage) to the location agreed upon with the buyer.

**Delivered Duty Unpaid (DDU)**

Seller fulfills the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) when the goods have arrived at a named place in the importing country. The seller bears all the costs and risk except for import duties and other customs clearance costs.

**Delivered Ex Ship (DES)**

Seller fulfills the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) when the goods have been made available to the buyer on board a ship at the named port of destination. The seller must bear all costs and risks associated in bringing the goods to the named port of destination. The buyer is responsible for all costs necessary to unload the goods and clear them through customs. Unloading costs are included the ocean freight charged by most ship lines. The DES is most often used for [charter shipments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter).

**Delivered Ex Quay (DEQ)**

Seller fulfills the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to deliver when the goods are made available to the buyer at the wharf of the destination port. A DEQ can further specify "Duty Paid" or "Duty Unpaid." If "Duty Paid" is specified, the seller is responsible for all risks and costs, including duty, to the wharf of the destination port. If "Duty Unpaid" is specified, the buyer is to clear the goods and pay duty. Since unloading costs are included in the ocean freight charged by most ship lines. This is most often used for charter shipments.

**Delivery**

The [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) and receipt of an actual [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or financial instrument in [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Delivery date**

Date by which a seller must fulfill the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract) or [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Delivery notice**

The written notice given by the seller of its intention to make [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) against an [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open), short [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) on a particular date. Related: [Notice day](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#notice_day).

**Delivery options**

The options available to the seller of an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), including the [quality option](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quality_option), the [timing option](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#timing_option), and the [wild card option](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wild_card_option). [Delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) options mean that the buyer is uncertain of which [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) will be delivered or when it will be delivered.

**Delivery points**

Locations designated by [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) exchanges at which the financial [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) covered by a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) may be delivered in fulfillment of such a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Delivery price**

The price fixed by the [clearinghouse](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) at which [deliveries](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) are invoiced; also the price at which the [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) is settled when deliveries are made.

**Delivery versus payment**

A in which the buyer's payment for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is due at transaction the time of [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) (usually to a bank acting as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for the buyer) upon receipt of the securities. The payment may be made by [bank wire](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_wire), [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), or direct [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to an account.

**Delphi technique**

Collection of independent opinions without group discussion by the [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) providing the opinions; used for various sorts of evaluations (such as country risk assessment).

**Dependent variable**

Term used in [regression analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression_analysis) to represent the element or condition that is dependent on values of one or more other independent [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**Delta**

The ratio of the change in price of an option to the change in price of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) asset. Also called the [hedge ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_ratio). Applies to derivative products. For a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) on a stock, a delta of 0.50 means that for every $1.00 that the stock goes up, the option price rises by $0.50. As options near [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration), [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) call option contracts approach a [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) of 1.0, while [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money_option) [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) approach a delta of -1. See: [hedge ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_ratio), [neutral hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#neutral_hedge). Call deltas range from 0.00 to +1.00; put deltas range from 0.00 to -1.00. If the call delta is 0.69, the put delta is -0.31 (call delta minus 1 equals put delta; 0.69 -1 =-0.31).

**Delta cross-hedge**

A futures [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) that has both [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) and [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) mismatches with an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) exposure.

**Delta hedge**

A [dynamic hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamic_hedging) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) using [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that calls for constant adjustment of the number of options used, as a function of the [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Delta neutral**

Describes value of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) not affected by changes in the value of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on which the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) are written.

**Delta Spread**

A ratio spread that is established as a neutral position by utilizing the [deltas](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) of the options involved. The neutral ratio is determined by dividing the [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) of the purchased option by the [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) of the written option. See also [Ratio Spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratio_spread) and [Delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta).

**Demand deposits**

[Checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) accounts that pay no [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and from which funds can be withdrawn upon demand.

**Demand line of credit**

A bank [line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) that enables a customer to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) on a daily or on-demand basis.

**Demand loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) which can be [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) by the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) at any time and carries no set [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Demand master notes**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are repayable immediately upon the holder's demand.

**Demand-pull inflation**

A theory of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) or price increases resulting from so-called excess demand. Related: [Cost-push inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_push_inflation).

**Demand shock**

An event that affects the demand for goods and services in an economy.

**Denomination**

Corresponds to the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit), coins, and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). An international transaction may be denominated in US dollars, for example, or in British pounds.

**Demutualization**

Refers to the process that has come about as the result of many not-for-profit exchanges (mutual companies owned by groups of members) converting to for-profit and then shareholder companies in order to go public.

**Dependent**

Acceptance of a [capital budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budgeting) project contingent on the acceptance of another project.

**Deposit insurance**

See: [FDIC: Federal Deposit Insurance Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.d.i.c.)

**Depositary**

An [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) appointed for a [Tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) or [Exchange Offer](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_offer) who accepts certificates from [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), processes them and assures that the appropriate [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) are properly remitted to the [tendering](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) party.

**Depository institution**

A [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that obtains its funds mainly through deposits from the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). This includes commercial banks, savings and loan associations, savings banks and credit unions.

**Depository Institutions Deregulation and Monetary Control Act**

The 1980 federal legislation that ended the regulation of the banking industry.

**Depository preferred**

Device enabling an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to circumvent an arbitrary corporate limit on the number of [preferred shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_shares) [issuable](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security).

**Depository receipt**

See: [ADR American Depository Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts)

**Depository transfer check (DTC)**

[Check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) made out directly by a local bank to a particular [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or person.

**Depository Trust Company (DTC)**

DTC is the world's largest central [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) depository. It accepts deposits of over 2 million equity and [debt securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) issues (valued at $23 trillion) from over 65 countries for custody, [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [book-entry](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_entry_securities) [deliveries](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) (valued at over $116 trillion in 2000) records book-entry pledges of those [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), and processes related income [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) DTC is a member of the U.S. [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system), a limited-purpose trust company under New York State banking law, a registered clearing agency with the Securities and Exchange Commission, and is owned by the [Depository Trust and Clearing Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_and_clearing_corporation) (DTCC), which is in turn owned primarily by most of the major banks, [broker-dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker_dealer), and [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) on [Wall Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street).

**Depository Trust and Clearing Corporation (DTCC)**

The Depository Trust and Clearing Corporation (DTCC), through its [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), provides post-trade clearance, [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement), custody and information services for [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), corporate and municipal [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), [money market instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market), American depositary receipts, exchange-traded funds, [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) trusts, [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), insurance products and other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [The National Securities Clearing Corporation (NSCC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_securities_clearing_corporation) subsidiary, which acts as a central [counterparty (CCP)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty), provides trade guarantee, [netting](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting) and [risk management](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_management) services for equity and debt transactions from all U.S. [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) and [markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market). The [Depository Trust Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_company)(DTC) subsidiary has custody of and provides asset servicing for millions of securities issues of issuers from the U.S. and over 60 other countries. DTC serves as a major [clearinghouse](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) for institutional post-trade [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement). DTCC's two subsidiary businesses have [Standard and Poors'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) highest rating: AAA.

**Depreciate**

To allocate the purchase cost of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) over its life.

**Depreciated cost**

In terms of economics: The measure of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital) consumption during production, e.g., machine and equipment wear.   
In terms of finance: The process of [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) of [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset) (equipment) to spread the cost over the [depreciable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) life of the assets.

**Depreciation**

A [non-cash expense](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noncash_charge) (also known as non-cash charge) that provides a source of [free cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_cash_flows). Amount allocated during the period to [amortize](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) the cost of acquiring [long-term assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_assets) over the useful life of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). To be clear, this is an accounting [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) not a real expense that demands [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). The sum of depreciation expenses of prior years leads to the balance sheet item Accumulated Depreciation.

**Depreciation tax shield**

The value of the tax [write-off](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#write_off) on [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) of plant and equipment.

**Depressed market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which supply overwhelms demand, leading to weak and lower prices.

**Depressed price**

In the context of stocks, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) is low in comparison to stocks in its [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector).

**Depression**

Period when excess aggregate supply overwhelms aggregate demand, resulting in falling prices, unemployment problems, and economic contraction.

**Deregulation**

The reduction of government's role in controlling [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), which lead to freer [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), and presumably a more efficient marketplace.

**Derivative**

A financial [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) whose value is based on, or "derived" from, a traditional [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) (such as a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond)), an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) (such as a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity)), or a [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index).

**Derivative instruments**

[Contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) such as [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) whose price is derived from the price of an [underlying financial asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset).

**Derivative markets**

Markets for [derivative instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments).

**Derivative security**

A financial [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) such as an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) whose value is derived in part from the value and characteristics of another security, the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) asset.

**Descending tops**

A chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) which in which each successive peak in a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) price is lower than the preceding peak over a period of time. Antithesis of [ascending tops](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ascending_tops).

**Descriptor**

A [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) describing [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), used as an element of a [risk index](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_indexes). For example, a [volatility risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility_risk) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), distinguishing high [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) assets from low volatility assets, could consist of several descriptors based on [short term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) volatility, long term volatility, [systematic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic) and residual volatility, etc.

**Design risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the impact on project [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from deficiencies in design or engineering. Also known as [engineering risk](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#engineering_risk).

**Designated order turnaround system (DOT)**

Computerized order entry system that allows [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to buy or sell large [baskets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to be transmitted immediately to the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), where [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) will occur quickly, depending on the [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) size. Also used for [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) to occur at the [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) and quantities available. See: [AOS](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.o.s.).

**Desk**

The New York Federal Reserve Bank's [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) desk (or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) department) where all [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) are [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) in the [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) or the [government securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_securities) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Detachable warrant**

A [warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) entitles the holder to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a given number of shares of stock at a stipulated [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices). A detachable warrant is one that may be sold separately from the package it may have originally been [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with (usually a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond)).

**Determinism**

Fully ordained in advance. A deterministic [chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos) system is one that gives random looking results, even though the results are generated from a system of equations.

**Deterministic models**

[Liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability)-matching models that assume that the liability payments and the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) are known with certainty. Related: [Stochastic models](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stochastic_models).

**Detrend**

To remove the general drift, tendency, or bent of a set of statistical data as related to time. Often accomplished by [regressing](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) or a time [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) and perhaps the square of the time index and capturing the [residuals](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals). A stochastic detrend would be to subtract a moving-average (say for five years) from the value of the variable.

**Deutsche B�rse**

Germany's major [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) market, including the Frankfurt Stock Exchange.

**Deutsche Terminbörse (DTB)**

Formerly the German [financial futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_future) and options market. Merged with the Swiss Options and Financial Futures Exchange (SOFFEX) in 1998 to form EUREX, the European derivatives exchange.

**Deutsche Börse AG (DBAG)**

Deutsche Börse AG (DBAG) is the operating [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) for the German [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and [derivatives markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_markets). It has four [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary): Deutsche Börse Clearing AG, Deutsche Börse Systems AG, Frankfurter Wertpapierbörse (FWB), and the derivatives market, EUREX Deutschland (formerly the [Deutsche Terminbörse](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dtb) ).

**Devaluation**

A decrease in the [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) of a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). Often initiated by a government announcement.

**Diagonal spread**

An [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) requiring a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) and a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in the same [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) at different [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) and different [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date). For example, buying an XYZ April 50 call and selling an XYZ July 55 call. See: [Calendar spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#calendar_spread); [vertical spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#vertical_spread).

**Dialing and smiling**

See: [Cold calling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cold_calling)

**Dialing for dollars**

A term used to describe the practice of [cold calling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cold_calling), but which has negative implications as it is frequently applied to salespeople selling speculative or fraudulent [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Diamonds**

[Units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in the diamonds [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), a [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) that serves as an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) to the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) in that its holdings consist of the 30 component stocks of the Dow.

**Diff**

Short version of [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) rate differential, which is a [Chicago Mercantile Exchange Futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that is founded on the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the U.S. dollar and the British pound, the German mark, or the Japanese yen.

**Difference check**

The difference in [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) that is paid to a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparties) to close out a deal.

**Difference from S&P**

A [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the change in the [Standard & Poor's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) for the same time period. A notation of -5.00 means the fund return is 5 percentage points less than the [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) in the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p), while 0.00 means that the fund and the S&P have the same return.

**Differential**

A small charge added to the purchase price and subtracted from the selling price by the [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) for [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) quantities.

**Differential disclosure**

The practice of reporting conflicting or markedly different information in official corporate statements including [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) and [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) reports and [10-Ks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#10_k) and [10-Qs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#10_q).

**Differential swap**

[Swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) between two [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.) [rates of interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_interest), e.g., yen LIBOR for dollar LIBOR Payments are in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Diffusion process**

A conception of the way a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) changes that assumes that the price takes on all intermediate values.

**Digits deleted**

Designation on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) exchange [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape) meaning that because the tape has been delayed, some digits have been [dropped](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) (e.g., 26 1/2 becomes 6 1/2).

**Dilution**

Diminution in the proportion of income to which each [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) is entitled.

**Dilution protection**

Standard provision that changes the [conversion ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_ratio) in the case of a [stock dividend](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) or extraordinary [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to avoid [dilution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dilution) of a [convertible bondholder's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) potential [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position). Adjustment usually requires a [split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split_stock) or [stock dividend](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) in excess of 5% or issuance of stock below [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value).

**Dilutive effect**

Result of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that decreases [earnings per common share (EPS)](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share).

**Dip**

Slight [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices after a sustained uptrend. [Analysts often](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) advise [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to buy on dips, meaning to buy when a [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) is momentarily weak. See: [Correction](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correction), [break](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#break), [crash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crash).

**Direct Claim**

A financial claim issued by a [deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deficit) [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) to acquire funds for [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [real assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets).

**Direct costs of financial distress**

Costs such as fees or penalties incurred as a result of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) or [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) proceedings.

**Direct deposit**

A method of payment which electronically credits your checking or savings account.

**Direct deposit service**

A service that electronically transfers all or part of any recurring payment—including [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), paychecks, [pensions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan), and [Social Security payments](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#social_security_benefits)—directly to a [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) account.

**Direct estimate method**

A method of [cash budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_budget) based on detailed estimates of cash receipts and cash disbursements category by category.

**Direct Exchange Rate**

The home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) price of one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency).

**Discount Interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) at a beginning of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). For example if you take out a one-year [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of $100 at a discount interest rate of 10%, you would receive $90 at the outset.

**Direct investment**

The purchase of a controlling [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or at least enough interest to have enough influence to direct the course of the company.

**Direct lease**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) in which a [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) purchases new equipment from the manufacturer and leases it to the [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee).

**Direct overhead**

A fraction of [overhead](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overhead) costs devoted to the manufacturing [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to cover [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) such as rent and utilities.

**Direct paper**

[Commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) sold directly by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Direct participation program**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) program enabling [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to directly participate in the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) and tax benefits of the [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) invested in by the investor, typically a form of [passive investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_investing).

**Direct placement**

Selling a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) not by offering it for sale [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), but by placing it with one of several [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors). Also known as a private placement.

**Direct Purchase Plan**

A plan that enables interested first-time individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to purchase a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) directly from the company or without the direct intervention of a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). The administrator also ensures the safekeeping of the shares by registering them directly on the books of the company. Eliminates the need for [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to hold on to physical certificates.

**Direct quote**

For [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange), the number of US dollars needed to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency).

**Direct Registration System**

A system, sometimes referred to as DRS, that allows electronic direct registration of securities in an investor's name on the books for the transfer agent or issuer, and allows shares to be transferred between a [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) and [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) electronically. DRS provides investors with a different way of holding their securities in certificate or street form. Under DRS, investors can elect to have their securities registered directly on the issuer�s records in book-entry form. An investor electing to hold a security in a DRS book-entry position will receive a statement from the issuer or its [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) verifying ownership of the security. The investor can subsequently transfer electronically the DRS book-entry position to their bank or broker/dealer.

**Direct rollover**

Movement of tax-deferred retirement plan [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) from one [qualified plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan) or [custodian](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#custodian) to another. No immediate tax liabilities or penalties are incurred, but there is an [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) reporting requirement.

**Direct search market**

Buyers and sellers seek each other directly and transact directly.

**Direct stock-purchase programs**

[Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) purchase [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) directly from the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Direct terms**

The price of a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) in domestic currency terms, such as $.9850/[Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) for a US resident. See: [Indirect terms](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indirect_quote).

**Director**

See: [Board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Director Exception**

A [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) or ballot that withholds its votes from one or more, but not all, individuals on the slate of nominated directors.

**Directors' Duties**

In the context of corporate governance, Directors' Duties refers to stated responsibilities of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors). These provisions allow directors to consider constituencies other than [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) when considering a merger. These constituencies may include, for example, employees, host communities, or suppliers. This provision provides boards of directors with legal basis for rejecting a takeover that would have been beneficial to shareholders. A majority of states have Directors Duties Laws.

**Directorship**

Used in the context of general equities. [Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) status whereby a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) may not maintain [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), due to an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) bank employee serving as a director on the [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) done to avoid conflicts of interest; signified by a flashing "D" on Quotron. Contrast to [restricted](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted).

**Dirty float**

A system of [floating exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_exchange_rate) in which a government may intervene to change the direction of the value of the country's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Dirty price**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) price including [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest), i.e., the price paid by the [bond buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_buyer).

**Dirty stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that fails to fulfill prerequisites to attain [good delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_delivery) status.

**Disability income insurance**

An [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that insures a worker in the event of an occupational mishap resulting in disability. [Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) benefits compensate the injured worker for lost pay.

**Disbursement float**

A decrease in [book cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_cash) but no immediate change in bank [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), generated by [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) written by the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Discharge of bankruptcy**

The termination of bankruptcy proceedings, resulting in cancellation of the [debtor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Discharge of lien**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) terminating a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on property.

**Disclaimer of opinion**

An auditor's statement that does not express any opinion regarding the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) financial condition.

**Disclosure**

A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) release of all information pertaining to the company's business activity, regardless of how that information may influence [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Discontinued operations**

Divisions of a business that have been sold or written off and that no longer are maintained by the business.

**Discount**

Convertible: Difference between [gross parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_parity) and a given [convertible price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_price). Most often invoked when a [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) is expected before the next [coupon payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_payments), making it liable for [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). Antithesis of [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).  
General: Information that has already been taken into account and is built into a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).  
Straight equity: [Price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) lower than that of the last sale or [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market).

**Discount Arbitrage**

A riskless arbitrage in which a discount option is purchased and an opposite position is taken in the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). The arbitrageur may either [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a call at a discount and simultaneously sell the underlying security (basic call arbitrage) or may buy a put at a discount and simultaneously buy the underlying security (basic put arbitrage). See also [Discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount).

**Discount bond**

Debt sold for less than its [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) value. If a discount bond pays no [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon), it is called a [zero coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond).

**Discount broker**

A brokerage house featuring relatively low [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) rates in comparison to a [full-service broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_service_broker).

**Discount factor**

[Present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of $1 received at a stated future date.

**Discount payment**

The difference between the face value and the price paid for a security.

**Discount period**

The period during which a customer can deduct the discount from the net amount of the bill when making payment.

**Discount rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that the [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_bank) charges a bank to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) funds when a bank is temporarily short of funds. [Collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) is necessary to borrow, and such borrowing is quite limited because the Fed views it as a privilege to be used to meet [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) liquidity needs, and not a device to increase [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings). In context of [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) or PV calculations, the discount rate is the [annual percentage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate) applied. In the context of project financing, the discount rate is often the [all-in](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_in) interest rate or the interest rate plus [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin).

**Discount securities**

Non-interest-bearing [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) that are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) and [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) at maturity for full [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value), e.g., US [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills).

**Discount window**

Facility provided by the [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) enabling [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) reserves against [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) in the form of government securities or other acceptable paper.

**Discount yield**

The [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) or annual [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold to an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount). A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is sold at $4875 that [matures](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) to $5000 has a discount of $125. To calculate the discount yield: ([discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) divided by the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of the security) multiplied by the (number of days in the year divided by the number of days to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)).

**Discounted basis**

To sell a debt instrument below maturity value, so that the difference makes up all or part of the interest.

**Discounted cash flow (DCF)**

Future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) multiplied by [discount factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_factor) to obtain [present values](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value).

**Discounted dividend model (DDM)**

A formula to estimate the [intrinsic value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by figuring the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of all expected future [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Discounted payback**

The length of time needed to recoup the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Discounted payback period rule**

An [investment decision](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) rule in which [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) are [discounted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discounting) at an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and then one determines how long it takes for the sum of the [discounted cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discounted_cash_flow) to equal the initial [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Discounted in/by market**

Unannounced information that is widely accepted or anticipated, and hence is already taken into account in the pricing of the [security/](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (e.g., poor earnings).

**Discounting**

Calculating the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of a future amount. Discounting is opposite to [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding).

**Discounting the news**

An adjustment of a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price as [speculators](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) the price up or down in anticipation of news about the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), whether good or bad.

**Discrepancy**

Any deviation from the conditions stipulated in a [letters of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit). Discrepancies void letter of credit protection.

**Discrete compounding**

[Compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money) for separate time intervals.

**Discrete random variable**

A [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) that can take only a certain specified set of individual possible values-for example, the positive integers 1, 2, 3, . . . For example, stock prices are discrete random variables, because they can only take on certain values, such as $10.00, $10.01 and $10.02 and not $10.005, since stocks have a minimum tick size of $0.01. By way of contrast, stock returns are continuous not discrete random variables, since a stock's return could be any number.

**Discrete variable**

[Variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) like 1, 2, 3. [Bond ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_rating) are examples of discrete classifications.

**Discretion**

Freedom given to the floor broker by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to use his judgment regarding the execution of an order. Discretion can be limited, as in the case of a limit order that gives the floor broker some distance from the stated limit price to use his judgment in executing the order. Discretion can also be unlimited, as in the case of a market-not-held order. See also: [Market Not Held Order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_not_held_order).

**Discretionary account**

Account over which an individual or organization, other than the person in whose name the account is carried, [exercises](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) [trading authority](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_authorization) or [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control).

**Discretionary cash flow**

[Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) that is available after the funding of all positive [net present value (NPV)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) projects; it is available for paying [cash dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend), [repurchasing common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_of_stock), [retiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), and so on.

**Discretionary income**

The amount of income a consumer has available after purchasing essentials such as food and shelter.

**Discretionary order**

A type of [buy order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) or sell order that gives the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) the freedom and power to make the [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at any time and price that is seen fit and reasonable, given the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) goals.

**Discretionary Proposition**

A proposal on a [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) card that [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) can cast in favor of management if they have not yet heard from the beneficial holder ten days before the annual meeting. See: [Ten-Day Rule](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ten_day_rule)

**Discretionary reserves**

[Balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) accounts representing temporary accumulations of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) from the current year or the recent past.

**Discretionary trust**

In the context of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), refers to a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) or [unit trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_trust) whose management decides on the best way to use the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) without restriction to a specific type of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).   
In the context of [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), refers to a [personal trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#personal_trust) in which a trustee has the power of decision as to how much income or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) each [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) receives.

**Discriminate analysis**

A statistical process that links the probability of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) to a specified set of [financial ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_ratio).

**Dishonor**

A refusal to pay.

**Disinflation**

A decrease in the rate of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Disintermediation**

Withdrawal of funds from a [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) in order to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) them directly.

**Disinvestment**

A reduction in [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) reflected by a decrease in [capital goods](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_goods) and a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) decision not to replace depleted [capital goods](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_goods).

**Disorderly Market**

A characterization of market conditions whereby there is excessive volatility at a time when there is no news. The volatility is often caused by order imbalances. In some markets, shorts trying to cover can cause disorderly conditions. If disorderly conditions arise, sometimes trading is halted.

**Disposable income**

The amount of personal income an individual has after taxes and government fees, which can be spent on necessities, or non-essentials, or be saved.

**Distress sale**

The selling of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) under adverse conditions, e.g., an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) may have to sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to cover a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).

**Distressed securities**

A security of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that has declared or is about to declare bankruptcy. In the context of hedge funds, a style of management that focuses on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of companies that have declared bankruptcy and may be undergoing reorganization. [Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) holdings can include bonds as well as stock in these firms.

**Distributed**

New [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) issues in [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer)' hands are said to be distributed.

**Distributing syndicate**

A [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) consisting of a number of brokerage firms or [investment bankers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) that work together to sell and disperse a large [lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lots) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Distribution**

Selling a large [lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lots) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in such a way that the security price is not heavily influenced.

**Distribution area**

An established price [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) in which a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has been [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for a significant amount of time. See: [Accumulation area](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulation_area).

**Distribution Cost Advantage**

A source of competitive advantage that depends on the efficient delivery of a product or service to customers.

**Distribution by coupon**

Classification of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) according to [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate)—the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) promises to pay, expressed as an annual percentage of [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value).

**Distribution by credit quality**

Classification of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) according to [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating).

**Distribution by issuer**

Classification of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) holdings by type of [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) or type of [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Distribution by maturity**

An indicator of [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). In general, the higher the concentration of longer-[maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), the more a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) price will fluctuate in response to changes in interest rates.

**Distribution period**

The few days between the [Board of Directors'](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) [declaration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) of a [stock dividend](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) ([declaration date](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declaration_date)) and the [date of record](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#date_of_record), or the date an individual must own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to be entitled to a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Distribution plan**

A [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) plan to charge [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) such as advertising to the [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) of the fund.

**Distribution schedule**

The frequency (monthly, [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly), semiannually, or annually) of a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) scheduled [distributions of dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_distribution) or [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Distribution stock**

A small amount of a specific [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that forms part of a larger [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is sold small amount by small amount so as not to disrupt the stock's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price).

**Distributions**

Payments from fund or corporate [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow). May include [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) from [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) from sale of [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) holdings and [return of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_of_captial). Fund [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distributions) can be made by [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) or by investing in additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Funds are required to distribute realized capital gains (if any) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) at least once per year if they are not to be taxed by the fund itself. Some [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) offer [Dividend Reinvestment Plans (DRP](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_reinvestment_plan)).

**Divergence**

When two or more [averages](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) or [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) fail to show confirming [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Diversifiable risk**

Related: [Unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk)

**Diversification**

Dividing [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) funds among a variety of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with different risk, reward, and [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) statistics so as to minimize [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk).

**Diversified investment company**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) vehicle such as a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that invests in an assortment of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Divestiture**

A complete [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) disposal such as outright sale or [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Dividend**

A portion of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) paid to [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) and [preferred shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_shares). A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) selling for $20 a share with an annual dividend of $1 a [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) 5%.

**Dividend Discount Return**

The [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) which equates the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of [future expected dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_dividend_yield) with the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Dividend in arrears**

[Accumulated dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulated_dividend) on [cumulative preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_preferred_stock) that are deemed payable to the current holder.

**Dividend capture**

See: [Dividend rollover plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_rollover_plan)

**Dividend clawback**

An arrangement under which sponsors of a project agree to contribute as [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) any prior [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) received from the project to the extent necessary to cover any [cash deficiencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_deficiency_agreement).

**Dividend clientele**

A group of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) who prefer that the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) follow a particular [dividend policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_policy). Such a preference may be based on comparable tax situations.

**Dividend Disbursing Agent**

A commercial bank or [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that disburses [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to the securityholders. Usually a [Transfer Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) is also the Dividend Disbursing Agent.

**Dividend Discount Model (DDM)**

A method to value the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is based on the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the expected future [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Dividend distribution**

See: [Dividend income](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_income)

**Dividend growth model**

An approach that assumes [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) grow at a constant rate in [perpetuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#perpetuity). The value of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) equals next year's dividends divided by the difference between the [required rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) and the assumed constant [growth rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates) in dividends.

**Dividend income**

[Distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) that may be in the form of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or property. [Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) are paid out of income, usually on a [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) basis, from [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) generated by a fund's [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). Also known as a [dividend distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_distribution).

**Dividend limitation**

A [bond convenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to pay [cash dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend).

**Dividend Order**

A letter or form signed by the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) instructing a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to issue and forward [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and/or interest payments to a specific person or entity other than the registered owner, such as a bank or [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Dividend payout ratio**

Percentage of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) paid out as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Dividend policy**

Standards by which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) determines the amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) it will pay as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Dividend rate**

The fixed or [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_payer) paid on [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) based on [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Dividend record**

[S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) publication stating companies' payment histories and corporate policies.

**Dividend Reinvestment Plan (DRP)**

Plan which provides for automatic [reinvestment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) of [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) in more [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), often without [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission). Some plans provide for the purchase of additional shares at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices). [Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) reinvestment plans allow [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to accumulate stock over the [long term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) using [dollar cost averaging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_cost_averaging). The DRP is usually administered by the company without charges to the holder.

**Dividend requirement**

The annual [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) minimum required for payment of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) on a [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Dividend rights**

A [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) rights to receive per-share dividends identical to those other shareholders receive.

**Dividend rollover plan**

An [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy) that entails the purchasing before and selling after of a stock right before its [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend) date in order to collect the [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid out by the stock and [capture](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recapture) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Dividend trade roll/play**

Used for listed equity securities. Method of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) around their [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend) dates so as to collect the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) (which is 80% [tax-exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_income)) [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by a fully-taxable [capital loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_loss). Predicated on the 80% current [exemption](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exemption) that some [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) receive on [dividend income](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_income).

**Dividend yield (Funds)**

[Indicated yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicated_yield) represents [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on a share of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) held over the past 12 months. Assumes fund was purchased a year ago. Reflects effect of sales charges (at current rates), but not [redemption charges](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption_charge).

**Dividend yield (Stocks)**

[Indicated yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicated_yield) represents annual [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) divided by current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Dividends payable**

The [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) dollar amount that a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is [obligated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to pay.

**Dividends per share**

[Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid for the past 12 months divided by the number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding), as reported by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). The number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) often is determined by a weighted average of shares outstanding over the reporting term.

**Dividends-received deduction**

A corporate [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deductible) on income allowed by [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) A that is in ownership of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of company B and receives [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) on the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of company B.

**Divisor**

Used in construction of [stock indices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index). Suppose there 10 stocks in an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), each worth $10 and the index is at 100. Now suppose that one of the stocks must be replaced with another stock that is worth $20. If no adjustment is made to the divisor, the total value of the index would be110 after the [swapping](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap). yet there should be no increase in value because nothing has happened other than switching the two constituents. The solution is to change the divisor; in this case from 1.00 to 1.10. Note that the value of the index, 110/1.1, is now exactly 100 - which is where it was prior to the swap.

**Direct foreign investment (DFI)**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [real assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets) (such as land, buildings, or plants) outside one's own country.

**Direct Loan Program**

[Fixed-rate loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan) offered by the [Ex-Im Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank) directly to the foreign buyer to purchase US [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) equipment and services.

**DM**

Deutsche marks, the former currency of Germany.

**Do Not Increase (DNI)**

A restriction that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) places on a [good til' canceled order](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_til_cancelled) to prevent an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) increase in the case of a [stock dividend](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) or [stock split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split).

**Do Not Reduce Order (DNR Order)**

[Limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) to buy or to sell, or a [stop limit order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_limit_order) to sell that is not to be reduced by the amount of an ordinary [cash dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend) on the [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend) date. A "do not reduce order" applies only to ordinary [cash dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend), and not [stock dividends](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) or [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right).

**Doctrine of sovereign immunity**

Principle that a nation may not be tried in another country without its consent.

**Documentary Collection**

A service provided by banks to sellers in obtaining payments. This service is usually transacted by the seller's bank through the buyer's bank, with the latter presenting the shipping documents to the buyer in exchange for payment or for signing a [promissory note](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#promissory_note) like instrument called a [time draft](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_draft).

**Documentary collections**

Trade [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) handled on a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) basis.

**Documented discount notes**

[Commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) backed by normal bank [lines of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) plus a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) from a bank stating that it will pay off the paper at maturity if the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [defaults](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default). Such paper is also referred to as [L.O.C.](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) paper. Also known as Bankers' Acceptances.

**Documents against acceptance**

Shipping documents held by the buyer's bank until the buyer has accepted (signed) the [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Documents against payment**

Shipping documents that are released to the buyer once the buyer has paid for the [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Dogs of the Dow**

The 10 stocks of the 30 on the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) with the most depressed prices and consequently the highest [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield). The [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) these stocks speculates that they will bounce back over a one-year period.

**Dollar bears**

[Traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) who [capitalize](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) on a falling dollar by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) other [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) directly.

**Dollar bonds**

[Municipal revenue bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) for which quotes are given in dollar prices. Not to be confused with "US [Dollar" bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_bonds), a common term of reference in the [Eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) market.

**Dollar cost averaging**

See: [Constant dollar plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#constant_dollar_plan)

**Dollar drain**

The impact of importing from foreign countries more than exporting to them. The [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) required to finance the import purchases removes dollars from the importing nation.

**Dollar duration**

The product of [modified duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modified_duration) and the initial [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Dollar price of a bond**

Percentage of [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) at which a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is quoted.

**Dollar return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) realized on a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) for any [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period), including (1) the change in [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) value of the portfolio and (2) any [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distributions) made from the portfolio during that period.

**Dollar roll**

Similar to the reverse [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement)-a simultaneous agreement to sell a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) with purchase of a similar [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a future date at an agreed-upon price.

**Dollar safety margin**

The dollar equivalent of the [safety cushion](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#safety_cushion) for a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) in a [contingent immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingent_immunization) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy).

**Dollar shortage**

Results when a nation importing US goods cannot pay for them without the aid of the United States.

**Dollar-weighted rate of return**

Also called the [internal rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return); the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that makes the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from all the subperiods in an [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period) plus the [terminal market value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#terminal_value) of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) equal to the initial [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Domestic bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued and [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) within the [internal market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_market) of a country and [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in the [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of that country.

**Domestic corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that is conducting business and is based in the country in which it is established, as opposed to a [foreign corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_corporation).

**Domestic International Sales Corporation (DISC)**

A U.S. [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that receives a tax incentive for export activities.

**Domestic market**

A nation's [internal market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_market) representing the mechanisms for [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of entities domiciled within that nation. Compare [external market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_market) and [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market).

**Domestic series**

Nonmarketable [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and noninterest-bearing [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) periodically by the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) to the [Resolution Funding Corporation (RFC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resolution_funding_corporation) for [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of funds authorized under section 21B of the [Federal Home Loan Bank Act](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_banks).

**Donor**

One who gives property or [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to someone else through the vehicle of a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust).

**Don't fight the tape**

Phrase advising not to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) against the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). If [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices are rising, do not sell.

**Don't know (DK, DKed)**

"Don't know the trade." A [Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street) expression used whenever one party lacks knowledge of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) or receives conflicting instructions from the other party. Also, an unscrupulous claim made by one party denying that the trade had been agreed to and made after the trade goes adversely against that party.

**Double auction market**

Systems by which listed [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are bought and sold through [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) on the securities exchanges, as distinguished from the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market, where trades are negotiated. Unlike the conventional auction with one auctioneer and many buyers, double auction markets consist of many sellers and many buyers.

**Double auction system**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) consisting of many sellers and many buyers, as opposed to a conventional auction with one [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) and many buyers.

**Double-barreled**

Describes backing of the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) of a smaller [municipal revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_revenue_bond) by a larger municipal entity.

**Double bottom**

A term used in [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) to refer to the [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) of a stock's price, a rebound, and then a drop back to the same level as the original drop. The pattern looks like the letter W. In technical analysis, this pattern is considered a positive for the stock. The stock has bottomed out and the technical analysts would expect the stock to appreciate afterwards.

**Double-declining-balance depreciation method (DDB)**

An accounting methodology in which the [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) rate used is double the rate used under the [straight-line](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straight_line_depreciation) method. In addition, the rate is applied to the full purchase cost of the asset, whereas under the [straight-line](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straight_line_depreciation) method the rate is applied to the cost net of salvage value.

**Double-declining-balance depreciation**

Method of [accelerated depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accelerated_depreciation).

**Double dip**

Used for listed equity securities. [Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) roll in which the "dividend capturer" already owns the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [cum dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cum_dividend). Also used when tax [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) is accessed in two countries concurrently.

**Double-dip lease**

A cross-border [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) in which the different rules of the [lessor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) and [lessee's](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee) countries let both parties be treated as the owner of the leased equipment for tax purposes.

**Double-entry bookkeeping**

Accounting method that records each [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) as both a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and a [debit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debit) in different accounts.

**Double-tax agreement**

Agreement between two countries that taxes paid abroad can be [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) against domestic taxes levied on foreign dividends.

**Double taxation**

Government taxation of the same [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) twice; specifically, [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) taxed first at the corporate level and then again as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) at the stockholder level.

**Double top**

A term used in [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) to refer to the rise of a stock's price, a [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop), and then a rise back to the same level as the original rise. The pattern looks like the letter M. In technical analysis, this pattern is interpreted negatively suggesting that there is some resistance level (top of the M) whereby the stock can't go higher.

**Double up**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that doubles the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) when the price moves in the opposite direction from the direction the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) hoped for. For example, an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with confidence in ABC buys 1000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at $100 and another 1000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) when the price declines to $90.

**Double witching day**

The last trading day before expiry of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on the same underlying asset, resulting in a variety of [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) to close out [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Doubling option**

A [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement) provision that may allow repurchase of twice the required number of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at the sinking fund [call price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_price).

**Dovish**

Refers to the tone of language used to describe a situation and the associated implications for actions. For example, if the Federal Reserve bank refers to inflation in a dovish tone, it is unlikely that they would take agressive actions. Similarly, a CEO might use dovish language to describe an important event facing the firm. This indicates that the firm is unlikely to take strong actions. Dovish sometimes means conciliatory. Opposite of hawkish.

**Dow dividend theory**

See: [Dogs of the Dow](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dogs_of_the_dow).

**Dow Jones Industrial Average**

The best known U.S. [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange). The Dow, as it is called, is a barometer of how [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the largest US companies are performing. There are hundreds of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) around the world for [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), and [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Dow Theory**

Used in the context of general equities. Technical theory that a major [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) must be confirmed by simultaneous movement of the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) and the Dow Jones Transportation Average to new highs or lows.

**Down market**

The period of time after a market top during which a security's price trends downwards.

**Down round**

Refers to a round of [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) financing that is raised at a lower firm valuation than the previous round.

**Down volume**

When a stock decreases in value on a particular day, the volume in that stock is considered down volume. Related: [Up volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#up_volume).

**Down-and-in option**

[Barrier option](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#barrier_options) (or knock-in option) that causes a plain-vanilla call or put option to come into existence if the underlying asset price falls to a predetermined price level (the barrier price).

**Down-and-out option**

[Barrier option](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#barrier_options) (or knock-out option) that initially is a plain vanilla option, but which ceases to exist if the underlying security falls to a predetermined level (the barrier price).

**Downgrade**

A negative change in [ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or other rated [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Downside Protection**

Generally used in connection with covered call writing, this is the cushion against loss, in case of a price decline by the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security), that is afforded by the written call option. Alternatively, it may be expressed in terms of the distance the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) could fall before the total position becomes a loss (an amount equal to the option premium), or it can be expressed as percentage of the current stock price.

**Downside risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) will decline in value including the implications of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Downsizing**

A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) reduction in the number of employees, number of bureaucratic levels, and overall size in an attempt to increase efficiency and profitability.

**Downstream**

The transfer of corporate activity from the larger [parent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) to the smaller [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary).

**Downtick**

A trade in a particular stock at a price lower than the trade immediately preceding it. On U.S. stock exchanges, you cannot sell a stock [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) on a [downtick](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#downtick).

**Downturn**

(1) A period of contraction or decline of economic activity, especially real GDP, but typically employment as well. (2) The transition of an economy from growth to contraction, also known as a peak of economic activity.

**Downswing**

(1) A downward turn in a security's price after a period of flat or rising prices ([market top)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_top). (2) The period during which a security's price trends downwards.

**Draining reserves**

[Federal Reserve System's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) course of action to tighten the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply) by (1) raising a bank's minimum [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) requirements, (2) selling [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), (3) raising the rate at which banks [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from the Fed, or (4) through draw-downs.

**Draft**

An unconventional [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) in writing-signed by a person, usually the exporter, and addressed to the importer-ordering the importer or the importer's [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) to pay, on demand ([sight draft](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sight_draft)) or at a fixed future date ([time draft](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_draft)) the amount specified on the face of the draft.

**Draw a call**

In the context of general equities, provoking a customer [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication)/[inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry)/order by calling them up or doing large amount of the volume in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Drawback**

A tax or duty [rebate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rebate) on imported goods that are exported at a later date.

**Drawdown**

The state in which the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) obtains some of the project financing, usually progressively according to construction expenditures plus IDC.

**Drawee**

The party who is directed to pay as specified in a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Drawer**

The party initiating a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Drayage**

A trucking [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) freight charge for the pick up or delivery of an ocean container.

**Dressing up a portfolio**

[Money managers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) to make [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) for the sole purpose of making a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) look good to the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) near the end of a reporting period. See: [Window dressing](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#window_dressing)

**Drip feed**

The continual [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) in a small and growing [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) as the company needs it, rather than investing a [lump sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) at the company's inception.

**Drive-by VC**

A type of [venture capitalist](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital). In the usual model, the venture capitalist (VC) is involved in management and monitoring of the [startup](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up). A drive-by VC invests in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of startups and is often quick to exit.

**Drop**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Remove from [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [list](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks); hence, no longer making a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in a security.

**Drop, The**

In a [dollar roll](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_roll) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), the difference between the sale [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of a [mortgage-backed](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) pass-through, and its repurchase price on a future date at a predetermined price.

**Drop-dead day**

The date on which a deadline is final, with no exceptions.

**Drop-dead fee**

A term of British origin referring to fee that must be paid if a deal falls through because of financing [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Drop lock**

The fixing of the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on a [floating-rate note](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) if it falls to a specified level.

**Dual banking**

Describes United States custom in which a bank is [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by the state or federal government.

**Dual-currency issues**

[Eurobonds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) that pay [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) but pay the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) in a different currency.

**Dual listing**

Listing of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) on more than one [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), thus increasing the competition for [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices), the [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) of the securities, and the length of time the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) can be traded daily (if listed on both the east and west coasts.) See: [Listed security](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security).

**Dual-purpose fund**

A [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund) consisting of two [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). The two [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) are [preferred shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_shares), on which [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) receive all the [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) from the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), and [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares), on which [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) receive all the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Dual syndicate equity offering**

An international [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) placement that splits the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) into two [branches](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche) - domestic and foreign - and each grantee is handled by a separate [lead manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_manager).

**Dual trading**

The custom of a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) on the [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to deal for its own [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) and the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) at the same time.

**Due bill**

An [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) evidencing the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a seller to deliver [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold to the buyer. Occasionally used in the bill market.

**Due date**

Date on which a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) must be paid.

**Due diligence**

An [internal audit](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_auditor) of a [target firm](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_firm) by an [acquiring firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer). [Offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) are often made contingent upon resolution of the due diligence process.

**Due diligence meeting**

Meeting legally required to be held by an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) to enable [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to question a new [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) about an upcoming [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Due-on-sale clause**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) clause stipulating that the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) pay off the full remaining [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) if the mortgaged property is sold before the mortgage is paid off.

**Dumping**

Used in the context of general equities. [Offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) large amounts of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with little or no concern for [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) effect.

**Duplicate Proxy**

A second [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) received on an account. If the second proxy bears a more recent date than the first proxy, and has a different voting pattern, the second proxy will override the first.

**Duplicative portfolio**

Mainly applies to derivative products. [Basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that imitates the [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) movement of another set of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) (e.g., [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index)).

**Dupont system of financial control**

Highlights the fact that [return on assets (ROA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_assets) can be expressed in terms of the [profit margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_margin) and [asset turnover](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_turnover).

**Durable merchandise**

Goods that have a relatively lengthy life (television sets, radios, etc.).

**Duration drift**

Change in [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) attributable to the passage of time.

**Duration**

A common gauge of the [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) sensitivity of a fixed income [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to a change in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Duration matching strategy**

An [immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immunization) technique that matches [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) with the duration of the [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Dutch auction**

[Auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auction_markets) in which the lowest [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) necessary to sell the entire [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) becomes the price at which all [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) offered are sold. This technique has been used in [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) auctions. Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auction_markets) system in which the price of an item ([stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)) is gradually lowered until it meets a responsive bid (government [T-bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills)) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) ([corporate repurchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_repurchase)) and is sold. In a [corporate repurchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_repurchase), a range of prices is set by the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) within which [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) are invited to [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) their shares. The [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) is open for a specific period of time (i.e., 20 days), and the quantity of stock to be purchased is stated as well, subject to proration if more shares are [tendered](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) than can be legally purchased under the stated terms (often an additional amount equal to 20% of [outstanding shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_shares) can be purchased). The price paid is that at which the amount stated to be purchased can be sold. Compare to [double auction system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#double_auction_market).

**Dutch Auction Preferred Stock**

A form of [adjustable-rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate) [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) in which the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) is ascertained in a [Dutch Auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dutch_auction) process by corporate bidders every seven weeks.

**Duty**

A tax on imports, exports, or consumption goods.

**Dwarfs**

[Fannie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) pools that have an original [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of 15 years.

**Dynamic**

For option [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy), describing analyses made during the course of changing security prices and during the passage of time. This is as opposed to an analysis made at expiration of the options used in the [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy). A dynamic break-even point is one that changes as time passes. A dynamic follow-up action is one that will change as either the security price changes or the option price changes or time passes.

**Dynamic asset allocation**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) allocation [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which the asset mix is quantitatively shifted in response to changing [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions, as in a [portfolio insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_insurance) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy), for example.

**Dynamic hedging**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves [rebalancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rebalancing) [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) as [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions change; a strategy that seeks to insure the value of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) using a [synthetic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#synthetics) [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option).

**Dynamical Noise**

When the output of a [dynamical system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems) becomes corrupted with [noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noise), and the noisy value is used as input during the next iteration. Also called [System Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#system_noise). See: [Observational Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#observational_noise).

**Dynamical Systems**

A system of equations where the output of one equation is part of the input for another. A simple version of a dynamical system is linear simultaneous equations. Non-linear simultaneous equations are nonlinear dynamical systems.

**E**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that an issue has not met the reporting date for the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) SEC regulatory filing requirements.

**EAFE index**

See: [European Australian and Far East index](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_australian_far_east_index)

**EASD**

See: [European Association of Securities Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_association_of_securities_dealers_automated_quotation)

**EBIAT**

See: [Earnings Before Interest after Taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_after_taxes)

**EBIT**

See: [Earnings Before Interest and Taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_and_taxes)

**EBITD**

See: [Earnings Before Interest, Taxes and Depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_taxes_and_depreciation)

**EBITDA**

See: [Earnings Before Interest, Taxes, Depreciation, and Amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_taxes_depreciation_and_amortization)

**EBRD**

See: European Bank for Reconstruction and Development

**EBT**

See: [Earnings Before Taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_taxes)

**EC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ECUADOR.

**ECA**

See: Export Credit Agency

**EDC**

See: [Export Development Corp](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_development).

**ECGD**

See: [Export Credit Guarantee Department](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_credit_guarantee)

**ECN**

Electronic Communications Network. Defined under Rule 11Ac1- 1(a)(8) under the U.S. Securities Exchange Act of 1934.

**ECS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Ecuadorian Sucre.

**EDGAR Electronic Data Gathering, Analysis and Retrieval System**

The system through which [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) electronically file reports and registration statements with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.). This requires converting the paper or word-processing document to be filed into a universal ASCII format, a process known as [EDGAR](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#edgar)-izing the document. The filings can then be accessed by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) through the SEC's Web site on the Internet.

**EEK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Estonian Kroon.

**EFIC**

See: [Export Finance Insurance Corp](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_finance_insurance_corp).

**EFTPOS**

Acronynm for Electronic Funds Transfer at Point of Sale. Payment is transferred usually from a checking account at the point of sale.

**EG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for EGYPT.

**EGP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Egyptian Pound.

**ECU**

See: [European Currency Unit](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_currency_unit)

**EDI**

See: [Electronic Data Interchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#electronic_data_interchange)

**EE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ESTONIA.

**EH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for WESTERN SAHARA.

**EM**

See: [Effective margin](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_margin)

**EMS**

See: [European Monetary System](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_monetary_system)

**EOE**

See: [European Options Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_options_exchange)

**EOQ**

See: [Economic Order Quantity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_order_quantity)

**ER**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ERITREA.

**ERM**

See: [Exchange Rate Mechanism](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate_mechanism)

**ES**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SPAIN.

**ESOP**

See: [Employee Stock Ownership Plan](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#employee_stock_ownership_plan)

**ESP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Spanish Peseta.

**ET**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ETHIOPIA.

**ETB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Ethiopian Birr.

**ETF**

See [Exchange Traded Fund](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_traded_fund).

**EU**

See: [European Union](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_union)

**EUR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro).

**EUREX**

The European derivatives exchange formed in 1998 by a merger of the [Deutsche Terminbörse (DTB)](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dtb) and the Swiss Options and Financial Futures Exchange (SOFFEX).

**EXDEC**

See: Shipper's Export Declaration.

**Each way**

A [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) from his or her involvement on both the purchase and the sale side of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Early distribution**

See: [Premature distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premature_distribution)

**Early Exercise (assignment)**

The [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) or assignment of an option contract before its expiration date.

**Early withdrawal**

See: [Premature distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premature_distribution)

**Early withdrawal penalty**

Penalty paid by the holder of a fixed-term [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) penalizing an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who withdraws [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) before the agreed-upon [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Earn-out**

Refers to an additional payment in a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) that is not part of the original [acquisition cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition_cost), which is based on the [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) future [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) relative to a level determined by the [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) agreement.

**Earned income**

[Compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) earned from employment, which includes wages, salary, tips, and compensation.

**Earned income credit**

A [tax credit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_credit) for taxpayers with children.

**Earned surplus**

See: [Retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings)

**Earnest money**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) given to a seller by a buyer to demonstrate the buyer's [good faith](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_faith_deposit). If the deal falls through, the deposit is usually [forfeited](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forfeiture).

**Earning asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that generates income, e.g., income from rental property.

**Earning power**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and taxes ([EBIT](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_and_taxes)) divided by total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Earnings**

[Net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) for the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) during a period.

**Earnings before interest after taxes (EBIAT)**

A financial measure defined as revenues less [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) and selling, general and administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). In other words, operating and nonoperating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) before the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) plus [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax). Equivalent to [EBIT](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_and_taxes) minus cash taxes.

**Earnings before interest and, taxes (EBIT)**

A financial measure defined as revenues less [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) and selling, general, and administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). In other words, operating and nonoperating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) before the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Earnings before interest, taxes, and depreciation (EBITD)**

A financial measure defined as revenues less [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) and selling, general, and administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). In other words, operating and nonoperating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) before the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax). [Depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) are not included in the costs.

**Earnings before interest, taxes, depreciation, and amortization (EBITDA)**

A financial measure defined as revenues less [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) and selling, general, and administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). In other words, operating and nonoperating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) before the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax). [Depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) and [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) expenses are not included in the costs.

**Earnings before taxes (EBT)**

A financial measure defined as revenues less [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold) and selling, general, and administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). In other words, operating and nonoperating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) before the [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Earnings momentum**

An increase in the [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) growth rate from one reporting period to the next.

**Earnings per share (EPS)**

A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) divided by its number of common [outstanding shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_share_capital). If a company earning $2 million in one year had 2 million common shares of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding), its EPS would be $1 per share. In calculating EPS, the company often uses a weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of shares outstanding over the reporting term. The one-year (historical or trailing) EPS growth rate is calculated as the percentage change in [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) per share. The prospective EPS growth rate is calculated as the percentage change in this year's earnings and the [consensus forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consensus_forecast) earnings for next year.

**Earnings-price ratio**

See: [Earnings yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_yield)

**Earnings response coefficient**

A measure of relation of stock [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) to [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) surprises around the time of corporate earnings announcements.

**Earnings retention ratio**

[Plowback rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plowback_rate).

**Earnings surprises**

Positive or negative differences from the [consensus forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consensus_forecast) of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) by [institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) such as [First Call](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#first_call) or [IBES](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#i.b.e.s.). Negative earnings surprises generally have a greater adverse effect on [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) than a reciprocal positive earnings surprise.

**Earnings yield**

The ratio of [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share), after allowing for tax and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) on fixed interest debt, to the current share price. The inverse of the [price-earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_earnings_ratio). It is the total twelve months [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) divided by number of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), divided by the recent price, multiplied by 100. The end result is shown in percentage terms. We often look at earnings yield because this avoids the problem of zero earnings in the [denominator](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) of the price-earning ratio.

**Easy money**

See: [Tight money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tight_money)

**Eating stock**

When an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) can't find buyers for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and therefore has to buy them for his own [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account).

**ECN**

See: [Emerging company marketplace](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_company_marketplace)

**Eclectic paradigm**

A theory that posits three types of advantages benefiting a [multinational corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation): ownership-specific, [location-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#location_specific_advantages), and market internalization advantages.

**Econometrics**

The quantitative science of modelling the economy. Econometric models help explain and predict variables of interest.

**Economic assumptions**

General market environment a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) expects to operate in over the life of a [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Economic defeasance**

See: [In-substance defeasance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_substance_defeasance)

**Economic dependence**

When the costs and/or revenues of one project depend on those of another.

**Economic earnings**

The real flow of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) could pay out forever in the absence of any change in the firm's productive capacity.

**Economic exposure**

The extent to which the value of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will change because of an [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) change.

**Economic growth**

An increase in the nation's capacity to produce goods and services. Usually refers to real GDP growth.

**Economic growth rate**

The [annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate) of change in the [Gross National Product](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.n.p.).

**Economic income**

[Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) plus change in [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value).

**Economic indicators**

The key statistics of the economy that reveal the direction the economy is heading in; for example, the [unemployment rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unemployment_rate) and the [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) rate.

**Economic Life**

The time period over which an [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) is maximized. Economic life can be less than [absolute physical life](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#absolute_physical_life) for reasons of technological obsolescence, physical deterioration, or product life cycle.

**Economic order quantity (EOQ)**

The [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) quantity that minimizes total [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) costs.

**Economic rents**

[Profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) in excess of the competitive level.

**Economic risk**

In project financing, the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the project's output will not be salable at a price that will cover the project's operating and maintenance costs and its [debt service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service) requirements.

**Economic shock**

Events that impact the economy which originate from outside it. They are unexpected and unpredictable (e.g., Hurricane Andrew in 1991, the rise in oil prices by OPEC).

**Economic surplus**

For any entity, the difference between the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of all its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and the market value of its [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Economic union**

An agreement between two or more countries that allows the free movement of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital), labor, and all goods and services, and involves the harmonization and unification of social, fiscal, and [monetary policies](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy).

**Economic value added (EVA)**

A method of [performance evaluation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_evaluation) that adjusts accounting performance for [investors'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) required [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). Suppose a division produces a 12% return on [capital invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment). Given the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of the division's business line, if investors would usually require 14% on capital invested for this level of risk, the division destroyed [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) value by the EVA metric. This Stern-Stewart has a trade mark on this term.

**Economics**

The study of the economy. See also: [Macroeconomics](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#macroeconomics); [microeconomics](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#microeconomics); [Keynesian economics](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#keynesian_economics), [monetarism](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetarist), and [supply-side economics](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#supply_side_economics).

**Economies of scale**

Achievement of lower [average cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_cost) per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) through increased production.

**Economies of scale**

The decrease in the [marginal](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marginal) cost of production as a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) extent of operations expands.

**Economies of scope**

Scope economies exist whenever the same [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) can support multiple [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) activities less expensively in combination than separately.

**Economies of vertical integration**

Produced by achieving lower operating costs by owning all components of production and sometimes sales outlets rather than contracting with [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in the outside marketplace.

**EDGAR (Electronic Data Gathering and Retrieval)**

The [Securities & Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) uses Electronic Data Gathering and Retrieval to transmit [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) documents such as [10-Ks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#10_k), [10-Qs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#10_q), [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) reports, and other [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) filings, to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Edge Act corporation**

[Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by the Federal Reserve to engage in international banking. The Board of Governors acts on applications to establish Edge Act corporations and also examines the corporations and their subsidiaries. Named after Senator Walter Edge of New Jersey, who sponsored the original legislation to permit formation of such organizations. See also: [agreement corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agreement_corporation).

**Edge corporations**

Specialized banking institutions, authorized and [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by the [Federal Reserve Board of Governors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) in the U.S., that are allowed to engage in [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) of a foreign or international character. They are not subject to restrictions on interstate banking. [Foreign banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_banking_market) operating in the U.S. are permitted to organize and own an edge [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Education IRA**

A type of [individual retirement account](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#ira_keogh_accounts) enabling the [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) of up to $500 per year tax free for each child up to the age of 18 by the parents in the family.

**Effective annual interest rate**

An annual measure of the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money) that fully reflects the effects of [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding).

**Effective annual yield**

[Annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) computed using [compound interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_interest) techniques.

**Effective call price**

The [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) in a market [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) provision plus the [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) to the redemption date.

**Effective convexity**

The [convexity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convexity) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) calculated using [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) that change with [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Effective date**

In an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap), the date the [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) begins [accruing interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest).

**Effective debt**

The total [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) owed by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to its [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor).

**Effective duration**

The [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) calculated using the approximate duration formula for a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with an [embedded option](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#embedded_option), reflecting the expected change in the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) caused by the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). Measures the responsiveness of a [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) price - taking into account that expected cash flows will change as [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) change due to the [embedded option](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#embedded_option).

**Effective Interest Rate**

The annual rate at which an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) grows in value when interest is credited more often than once a year.

**Effective margin (EM)**

Used with SAT [performance measures](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement), the amount equal to the net earned [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread), or [margin of income](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_of_profit), on [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in excess of financing costs for a given [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) rate scenario.

**Effective net worth**

[Net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) plus [subordinated debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debt).

**Effective rate**

A measure of the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money) that fully reflects the effects of [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding).

**Effective sale**

A sale based on the most recent [round-lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot) price, which determines the price of the next [odd lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot). The difference created between the last round-lot price and the [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) price is referred to as the odd-lot differential.

**Effective spread**

The gross [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) adjusted for the impact that a [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [offering's](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) announcement has on the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) share price.

**Effective tax rate**

The net rate a taxpayer pays on income that includes all forms of taxes. It is calculated by dividing the total tax paid by [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income).

**Effective yield**

[Yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) or [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on a [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) after adjustment for the change in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) over the period of concern.

**Efficiency**

The degree and speed with which a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) accurately incorporates information into [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Efficient capital market**

A market in which new information is very quickly reflected accurately in [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) prices.

**Efficient diversification**

The organizing principle of [portfolio theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modern_portfolio_theory), which maintains that any [risk-averse](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_averse) [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will search for the highest [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) for any particular level of [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Efficient frontier**

The combinations of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that maximize [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) for any level of expected [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), or that minimizes expected risk for any level of [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return). Pioneered by Harry Markowitz.

**Efficient market**

Market in which prices correctly reflect all relevant information.

**Efficient Market Hypothesis**

States that all relevant information is fully and immediately reflected in a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) market price, thereby assuming that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will obtain an [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium) [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return). In other words, an investor should not expect to earn an [abnormal return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#abnormal_return) (above the [market return)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return) through either [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) or [fundamental analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_analysis). Three forms of efficient market hypothesis exist: [weak form](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weak_form_efficiency) ([stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) reflect all past information in prices), [semistrong form](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#semistrong_form_efficiency) (stock prices reflect all past and current [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) available information), and [strong form](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strong_form_efficiency) (stock prices reflect all relevant information, including information not yet disclosed to the general public, such as [insider](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) information).

**Efficient markets theory (EMT)**

Principle that all [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are correctly priced by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), and that there are no bargains.

**Efficient portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that provides the greatest [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) for a given level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) (i.e., [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation)), or, equivalently, the lowest risk for a given expected return.

**Efficient set**

Graph representing a set of [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that maximize [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) at each level of portfolio [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Efficient surface**

In [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) [skewness](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#skewness) analysis, the set of [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that result from [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) preference for higher means, lower variance and higher (positive) skewness. The efficient surface is analogous (in three dimensions, mean, variance and skewness) to the [efficient frontier](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_frontier) (in two dimensions, mean and variance).

**Eighth[-ed]**

Historical term used in the context of general equities. A [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) or another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) is [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) higher or [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) lower than we are, often topping or undercutting us by an eighth.

**Either/or facility**

An agreement permitting a bank customer to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) either domestic dollars from the bank's head office or [Eurodollars](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) from one of its foreign branches.

**Either-or order**

Used in the context of general equities. See: [Alternative order](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alternative_order).

**Either-way market**

In the [interbank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interbank_market) [Eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) deposit market, an [either-way market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#either_way_market) is one in which the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) rates are identical.

**Elasticity of demand**

The degree of buyers' responsiveness to price changes. Elasticity is measured as the percent change in quantity divided by the percent change in price. A large value (greater than 1) of elasticity indicates sensitivity of demand to price, e.g., luxury goods, where a rise in price causes a decrease in demand. Goods with a small value of elasticity (less than 1) have a demand that is insensitive to price, e.g., food, where a rise in price has little or no effect on the quantity demanded by buyers.

**Elasticity of supply**

The degree of producers' responsiveness to price changes. Elasticity is measured as the percent change in quantity divided by the percent change in price. A large value (greater than 1) of elasticity indicates sensitivity of supply to price, e.g., luxury goods, where a rise in price causes an increase in supply. Goods with a small value of elasticity (less than 1) have a supply that is insensitive to price, e.g., food, where a rise in price has little or no effect on the amount that producers supply.

**Elasticity of an option**

Percentage change in the value of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) given a 1% change in the value of the option's [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Related: [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta).

**Elect**

The conversion of a conditional [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) into a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order).

**Election Period**

The period of time during which the holder can elect to extend and extendible bond, or to retract a retractable bond.

**Electronic data interchange (EDI)**

The direct exchange of information electronically, from one [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) computer to another firm's computer in a structured format.

**Electronic depository transfers**

The transfer of funds between bank accounts through the [Automated Clearing House (ACH](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_clearing_house)) system.

**Electronic funds transfer (EFT)**

Transfer of funds electronically rather than by check or [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). The Federal Reserve's Fedwire and automated clearninghouse services are EFT systems.

**Electronic Funds Transfer Systems**

A variety of systems and technologies for transferring funds ([money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money)) electronically rather than by check. Includes Fedwire, automated clearringhouses (ACHs) and other automated systems.

**Electronic Queriable Carrier**

A transporter of goods which allows tracking of goods in transit electronically using a waybill number such as United Parcel, Federal Express, etc.

**Elephants**

A term used to refer to large [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**Eleven bond index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) based on the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of 11 [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) in 20 years and carry an average AA [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings). The eleven bonds used to calculate the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) are also found in the [20 bond index](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#twenty_bond_index), which serves as a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) in tracking [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Eligible bankers' acceptances**

In the [BA](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance) market, an acceptance may be referred to as eligible because it is acceptable by the [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) at the [discount window](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_window) and/or because the accepting bank can sell it without incurring a [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) requirement.

**Elliott Wave Theory**

Technical market timing [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that predicts [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) movements on the basis of historical price wave patterns and their [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) psychological motives. Robert Prechter is a famous Elliott Wave theorist.

**Elves**

A term the host uses to refer to guests on the PBS television show, "Wall Street Week", who are [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) attempting to predict the direction of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices over the next six months.

**Embedded option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that is part of the structure of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that gives either the [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) or the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) the right to take some action against the other party, as opposed to a bare option, which trades separately from any [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Emergency fund**

A [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) kept available to meet the costs of any unexpected financial emergencies.

**Emergency Home Finance Act of 1970**

The federal legislation creating the [Federal Home Loan Mortgage Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac), a partially government-run program initiated to stimulate the development of a [secondary mortgage market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) and expand [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) available to veterans and other groups.

**Emerging Company Marketplace (ECM)**

A service once offered by the [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) to help small growth [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) fulfill special listing requirements. The service is no longer available.

**Emerging markets**

The financial markets of developing economies.

**Emerging Markets Free index (EMF)**

A [Morgan Stanley Capital International](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#morgan_stanley_capital_international) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) created to track [stock markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) in selected [emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets) that are open to foreign [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) like Argentina, Chile, Jordan, Malaysia, Mexico, Philippines, and Thailand.

**Emerging markets fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) primarily in countries with developing economies (that is, those that are becoming industrialized). [Emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets) funds tend to be more [volatile](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) than domestic stock funds due to [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) fluctuation and political instability. Consequently, fund prices can fluctuate dramatically.

**Employee contribution**

An employee's own deposit to a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) plan.

**Employee Retirement Income Security Act (ERISA)**

The law that regulates the operation of private pensions and benefit plans.

**Employee stock fund**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)-sponsored program that enables employees to purchase [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the firm's [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) on a preferential basis.

**Employee stock ownership plan (ESOP)**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) contributes to a trust fund that buys stock on behalf of employees.

**Employee Stock Purchase Plan (ESPP)**

A plan usually linked to a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) payroll [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) system allowing employees to purchase shares at a discount from current [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Employer matching contribution**

The amount, if any, a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) contributes on an employee's behalf to the employee's [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) account, usually tied to the employee's own [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution).

**Employment rate**

The percentage of the labor force that is employed. The employment rate is one of the economic indicators that economists examine to help understand the state of the economy. See also: [Unemployment rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unemployment_rate).

**Empty head and pure heart test**

[Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule that allows only the bidder of a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) while possessing [inside information](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_information).

**Encumbered**

A property owned by one party on which a second party reserves the right to make a valid claim, e.g., a bank's holding of a home [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [encumbers](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#encumbered) property.

**End-of-year convention**

Treating [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) as if they occur at the end of a year as opposed to the date convention. Under the end-of-year convention, the present is time 0, the end of year 1 occurs one year hence; and so on.

**Endogenous uncertainty**

Describes factors within the control of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), such as a decision to reveal information about price or input costs. Converse of [exogenous](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exogenous).

**Endogenous variable**

A value determined within the context of a [model](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modeling). Related: [Exogenous variable](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exogenous_variable).

**Endorse**

Transferring [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) ownership by signing the back of the [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate).

**Endowment**

Gift of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or property to a specified institution for a specified purpose.

**Endowment funds**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) funds established for the support of institutions such as colleges, private schools, museums, hospitals, and foundations. The [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income) may be used for the operation of the institution and for [capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures).

**Energy mutual fund**

[Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) investing in energy [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) only, e.g., oil and gas [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Engineering risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the impact on a project's [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from deficiencies in design or engineering. Also known as [design risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#design_risk).

**Enhanced indexing**

Also called [indexing-plus](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing_plus), an [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) whose [objective](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#objective) is to exceed or replicate the total [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) performance of some predetermined [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Enhancement**

An innovation that has a positive impact on one or more of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) existing products.

**Enterprise**

A business [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Enterprise Value**

The [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) plus the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the firm's [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). Often the value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are non-core are excluded from the final calculation.

**Entrepreneur**

A person starting a new [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) who takes on the [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with starting the enterprise, which may require [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) to cover [start-up](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up) costs.

**Entropy**

The level of disorder in a system.

**Environmental fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) strictly in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that are environmentally friendly and/or have the goal of environmental betterment. The [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) are trying to support and [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from opportunities related to the environmental movement.

**Environmental risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with economic or administrative consequences of slow or catastrophic environmental pollution.

**EPS**

See: [Earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share)

**Equal dollar swap**

Selling [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock)/convertibles in one [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and reinvesting the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) in as many shares of (1) another type of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the company, or (2) another [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of the same type but of another company -- as can be bought with the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) of the sale. See: [Equal shares swap](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equal_shares_swap).

**Equal percentage contribution rule (EPCoR)**

Principle that each [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [contributes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) the same proportion to the [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) rate [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Equal shares swap**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Selling the underlying common and reinvesting the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) in as much of the convertible as can be converted into the number of [shares of common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) just sold. See [equal dollar swap](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equal_dollar_swap).

**Equalizing dividend**

Special [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) received by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) for income the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) lost because the firm altered the [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payment schedule.

**Equilibrium**

The stable state of the system. See: [Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor).

**Equilibrium exchange rate**

[Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) at which demand for a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) is equal to the supply of the [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in the economy.

**Equilibrium market price of risk**

The slope of the [capital market line (CML)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market_line). Since the [CML](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market_line) represents the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) offered to [compensate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for a perceived level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), each point on the line is a balanced [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) condition, or [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium). The slope of the line determines the additional [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) needed to compensate for a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) change in [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). The equation of the CML is defined by the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Equilibrium price**

The price at which the supply of goods matches demand.

**Equilibrium rate of interest**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that clears the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Also called the trade-clearing interest rate.

**Equipment leasing partnership**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) that receives income and tax benefits such as [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) costs by purchasing equipment and leasing it to other parties.

**Equipment trust certificates**

[Certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) that is formed to purchase an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) it to a [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee). When the last of the certificates has been repaid, title and ownership of the asset transfers to the lessee.

**Equitable owner**

The [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) of a property held in a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust).

**Equity**

Ownership interest in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Also, the [residual dollar value](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_value) of a [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [trading account](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), assuming its [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) is at the going trade price. In [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), dollar difference between what a property could be sold for and [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) claimed against it. In a brokerage [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account), [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) equals the value of the [account's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) minus any debit balance in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account). Equity is also shorthand for [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Equity cap**

An agreement in which one party, for an up-front premium, agrees to pay the other at specific time periods if a designated [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) tops a predetermined level.

**Equity carve out**

Usually occurs when a company decides to IPO one of their subsidiaries or divisions. The company usually only offers a minority share to the equity market. Also known as carve out.

**Equity claim**

Also called a [residual claim](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_claim); a claim to a share of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) after debt [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) have been satisfied.

**Equity collar**

The simultaneous purchase of an [equity floor](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_floor) and sale of an [equity cap](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_cap).

**Equity contribution agreement**

An agreement to contribute [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) to a project under certain specified conditions.

**Equity floor**

An agreement in which one party agrees to pay the other at specific time periods if a specific [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) falls below a predetermined level.

**Equity funding**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) consisting of a [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) and a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund). The insurance policy is paid by the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) value of fund [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), giving the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) the advantages of insurance protection with the growth potential of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Equity kicker**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) attached to a new debt, preferred or common stock issue to improve the salability of the issue.

**Equity-linked Eurobonds**

A [Eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) including a convertibility [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Equity-linked policies**

Related: [Variable life](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable_life)

**Equity market**

Related: [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market)

**Equity multiplier**

Total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) divided by total [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity); the total assets per dollar of stockholders' equity.

**Equity options**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that give the holder the right (but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation)) to buy or sell a specified number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), at a specified price for a certain (limited) time period. Typically one [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) equals 100 shares of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Equity REIT**

A [Real Estate Investment Trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r.e.i.t.) that assumes ownership status in the property it [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in enabling [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) of the REIT to earn [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) on [rental](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent) income from the property and [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) in property resale. Antithesis of a [Mortgage REIT](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_reit).

**Equity swap**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) in which the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) exchanged are based on the total [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on some [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) and an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) (either a fixed rate or [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_exchange_rate)). Related: [Interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap).

**Equityholders**

[Stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder); those holding shares of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Equivalent annual annuity**

The amount per year for some number of years that has a [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) equal to a given amount.

**Equivalent annual benefit**

The annual [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) with the same value as the [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) project.

**Equivalent annual cash flow**

[Annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) with the same [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) as the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) proposed [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Equivalent annual cost**

The cost per year of owning an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) over its entire life.

**Equivalent bond yield**

[Effective annual yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_annual_yield) on a [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term), noninterest-bearing [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) calculated for comparison to [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) quoted on [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) securities.

**Equivalent loan**

Given the after-tax stream associated with a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), the maximum amount of conventional [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that the same period-by-period after-tax [debt service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service) stream is capable of supporting.

**Equivalent taxable yield**

The [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) that must be offered on a taxable [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to give the same after-tax yield as a tax-[exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exemption) issue.

**Erosion**

A negative impact on one or more of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) existing [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Escalator clause**

Provision in a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) allowing cost increases to be passed on. In an employment [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), for example an escalator clause may call for wage increases in line with [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Escheat**

Reversion of monies or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) to the state in which the securityholder was last known to reside, when no claim by the securityholder has been made after a certain period of time fixed by state law. This is known as the holding period or [cut-off date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cut_off_date).

**Escheat Period**

The period of elapsed time required by applicable state law for property to be presumed abandoned.

**Escheatment**

The process of turning over unclaimed or abandoned property to a state authority. Escheatment laws require [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) to turn over [uncashed](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or returned [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) dollars and/or client account fund shares if the owner cannot be located within a length of time determined by each state.

**Escrow**

Property or [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) held by a third party until the agreed upon [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) are met.

**Escrow receipt**

A document provided by a bank in [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to guarantee that the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) is on deposit and available for potential [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Escrowed to Maturity (ETM)**

Holding of the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) from a new [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to pay off an existing [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) at its [maturation date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Essential purpose (or function) bond**

See: [Public purpose bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_purpose_bond)

**Estate planning**

The preparation of a plan to carry out an individual's wishes as to the administration and disposition of his/her property before or after his/her death.

**Estate tax**

A federal or state tax imposed on an individual's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) inherited by heirs.

**Estimated tax**

Tax to be paid [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) on income that is not subject to [withholding tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax), including [self-employed income](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_employed_income), [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income), alimony, [rent](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent), and [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Ethical fund**

See: [Social conscious mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#socially_conscious_mutual_fund).

**Ethics**

Standards of conduct or moral judgment.

**Euclidean Geometry**

The Plane geometry learned in high school, based upon a few ideal, smooth, symmetric shapes.

**Euro**

Originally, the term for a deposit made outside one's home country but denominated in the home country [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). This terminology is confusing now since the new [European Currency unit](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_currency_unit), also called the Euro, was introduced on January 1, 1999.

**Euro CDs**

[CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a U.S. bank branch or foreign bank located outside the U.S. Almost all [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) CDs are issued in London.

**Eurodollar obligations**

[Certificates of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) issued in U.S. dollars by foreign banks and foreign branches of U.S. banks.

**Euro lines**

[Lines of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) granted by banks (foreign or foreign [branches](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#branch) of U.S. banks) for [Eurocurrencies](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency).

**Euro straight**

A fixed-rate [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) [Eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond).

**Eurobank**

A bank that regularly accepts [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency)-[denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) deposits and makes foreign currency [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Eurobond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is (1) [underwritten](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) by an international [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate), (2) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) simultaneously to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in a number of countries, and (3) issued outside the jurisdiction of any single country. Eurobonds are often bearer bonds.

**Euroclear**

The Euroclear group is the world's largest [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) system for domestic and international securities [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), covering both [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) for [financial institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) located in over 80 countries.

**Euro-commercial paper**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) with [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) up to 360 days that are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in international [money markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market).

**Eurocredit market**

Comprises banks that accept deposits and provide [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in large [denominations](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) and in a variety of [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). The banks that constitute this [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) are the same banks that constitute the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market); the difference is that Eurocredit loans are longer-term than so-called [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) loans.

**Eurocredits**

[Intermediate-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediate_term) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of [Eurocurrencies](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) made by banking [syndicates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) to corporate and government [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Eurocurrency**

[Instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) issued outside your country, but [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in your [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). A [Eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) is a [Certificate of Deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) in U.S. dollars issued in some other country (though mainly traded in London). A Euroyen is a [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) issued in yen outside Japan.

**Eurocurrency deposit**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) fixed-rate [time deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_deposit) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) other than the local currency (e.g., U.S. dollars deposited in a London bank).

**Eurocurrency market**

The [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) for [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that are held in the form of deposits in banks located outside the countries where the currencies are issued as legal [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender).

**Eurodollar**

Refers to a [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) in U.S. dollars in a bank that is not located in the U.S. Most of the Eurodollar deposits are in London banks, but Eurodeposits may be anywhere other than the U.S. Similarly, a Euroyen or [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) [DM](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#d.m.) deposit represents a [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) in yen or [DM](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deutsche_marks) outside Japan and Germany, respectively.

**Eurodollar bonds**

[Eurobonds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in U.S.dollars.

**Eurodollar certificate of deposit**

A [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) paying [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) in dollars, but [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a bank outside the United States, usually in Europe.

**Euroequity issues**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold in the Euromarket. That is, securities initially sold to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) simultaneously in several national [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by an international [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate). Related: [External market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_market).

**Euro-medium term note (Euro-MTN)**

A non[underwritten](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [Euronote](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro_note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) directly to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Euro-MTNs are offered continuously rather than all at once as a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issue is. Most Euro-MTN [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) are under five years.

**Euro.NM**

Created on March 1, 1996, Euro.NM is a pan- network of regulated markets dedicated to growth [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), regardless of their sector of activity or country of origin. Euro.NM member [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and their respective new markets consist of the [Paris Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bourse) (Le Nouveau Marché), the [Deutsche Börse AG](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dbag) (Neuer Markt),  the Amsterdam Exchanges (NMAX), and the [Brussels Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#brussels_stock_exchange) (Euro.NM Belgium).

**Euro-note**

[Short-](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) to medium-term [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) sold in the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) market.

**Euroyen bonds**

[Eurobonds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in Japanese yen.

**European, Australia, and Far East index (EAFE index)**

[Stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index), computed by [Morgan Stanley Capital International](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#morgan_stanley_capital_international).

**European Association of Securities Dealers Automated Quotation (EASDAQ)**

European equivalent of [Nasdaq.](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.)

**European Bank for Reconstruction and Development**

Bank targeted at Eastern Europe and the former Soviet Union.

**European Central Bank (ECB)**

Bank created to monitor the [monetary policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy) of the countries that have converted to the [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) from their local [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). The original 11 countries are: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.

**European Currency Unit (ECU)**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) consisting of [European currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency), originally devised in 1979. Also see [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro).

**European exchange rate mechanism (ERM)**

The system that countries in the [European Union](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_union) once used to pay [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) within bands around an [ERM](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate_mechanism) central value.

**European Exercise**

A feature of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that stipulates that the option may only be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) at its [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration). Therefore, there can be no early assignment with this type of option. Most index options are European-style exercise.

**European Monetary System (EMS)**

A system adopted by European Community members with the aim of promoting stability by limiting exchange-rate fluctuations. The system was originated in 1979 by the nine members of the European Community (EC). The EMS comprised three principal elements: the [European Currency Unit (ECU)](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_currency_unit), the monetary [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) used in EC [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction); the [Exchange Rate Mechanism, ERM](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate_mechanism), whereby those member states taking part agreed to maintain [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) fluctuations within certain agreed limits; and the European Monetary Cooperation Fund, which issues the ECU and oversees the ERM. The 1992 Maastricht Treaty provided for the move to Economic and Monetary Union (EMU), including a European Monetary Institute to coordinate the economic and monetary policy of the EU, a [European Central Bank (ECB)](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#european_central_bank) to govern these policies, and the presentation of a single European [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**European option**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that may be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) only at the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date). Related: [American option](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_option).

**European Options Exchange (EOE)**

Now AEX-Optiebeurs. See: [Amsterdam Exchanges (AEX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.e.x.).

**European-style exercise**

A method of [exercising](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) in which the buyer can only exercise the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) on the last day before [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration).

**European-style option**

An [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) that can be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) only on the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**European terms**

A [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) that states the [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) price of one U.S. dollar. Opposite of direct quote.

**European Union (EU)**

An economic association of European countries founded by the Treaty of Rome in 1957 as a [common market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_market) for six nations. It was known as the European Community until January 1, 1994 and currently comprises 15 European countries. Its goals are a single market for goods and services without any economic barriers, and a common [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) with one monetary authority.

**Evaluation period**

The time interval over which funds assess a [money manager's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) performance.

**Even lot**

See: [Round lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot)

**Evening up**

Buying or selling to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) an existing market [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Event anomalies**

Occurrences such as [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) surprises or [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split) that seem to present opportunity to generate [abnormal returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#abnormal_return) for those [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the news.

**Event driven**

In the context of hedge funds, a style of management that combines many different types of hedge fund investing such as [merger arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger_arbitrage), [distressed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distressed_securities) and high yield investing, in conjunction with an important "event" that is supposed to unlock [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) value (like a merger announcement, earnings announcement, or a regulator decision).

**Event risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the ability of an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to make [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments will change because of rare, discontinuous, and very large, unanticipated changes in the market environment such as (1) a natural or industrial accident or some regulatory change or (2) a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover), or corporate [restructuring](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restructuring).

**Event study**

A statistical study that examines how the release of information affects [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) at a particular time.

**Events of default**

[Contractually](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) specified events that allow [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) to demand immediate repayment of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Evergreen**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that rolls over after each agreed ([short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term)) period until cancelled by one party.

**Evergreen credit**

[Revolving credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revolving_line_of_credit) without maturity.

**Evergreen funding**

A British term referring to the gradual injection of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) into a new or existing [enterprise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#enterprise).

**Ex Works (EXW)**

A transaction in which the seller's only responsibility is to make the ordered goods available to the buyer at the seller's premises. The buyer bears the cost and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) in transporting the goods from the seller's premises to destination. Since this includes pre- carriage and export clearance in the seller's country, EXW is not a very practical Incoterm for U.S. exports.

**Ex-all**

The sale of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) without the [privileges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_privilege) associated with the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) such as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), [voting rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights), or [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Ex ante return**

The [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) or anticipation return of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Ex ante value**

The [forecasted](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) price or value.

**Exception**

A [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) which does not authorize the proxy committee to act on its behalf concerning any other business, adjournments or substitutions.

**Exceptional Return**

[Residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals) return plus [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [timing](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#timing) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). For a given [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) equal to one, if its residual return is 2%, and the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) exceeds its consensus [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) by 1%, then the asset's exceptional return is 3%.

**Excess accumulation**

The amount of a required minimum [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) that an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) holder fails to remove from an IRA in a timely manner. Excess [accumulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulation) are subject to a 50% [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) penalty tax.

**Excess contribution**

The amount by which an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) exceeds the allowable limits. If an excess contribution is not properly corrected, a 6% [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) penalty applies.

**Excess reserves**

Amount of reserves held by an institution in excess of its reserve requirement and required clearing balance. Also see [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve).

**Exchange Ratio**

The number of new [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in an [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that are given for each [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) share of an acquired firm.

**Exchange Traded Fund**

Similar to an index mutual fund, these tracking stocks trade continuously. Two popular ETFs are the Standard and Poor's depositary receipt ([SPDR](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#SPDR)) launched in 1993 and the NASDAQ-100 Index Tracking Stock ([QQQ](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#SPDR)) which was launched in 1999. These vehicles are popular for hedging as well as investment.

**Ex-dividend**

This literally means "without [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend)." The buyer of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) when they are quoted ex-dividend is not entitled to receive a declared [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). It is the interval between the [record date](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#record_date) and the [payment date](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payment_date) during which the stock trades without its dividend-the buyer of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) selling ex-dividend does not receive the recently [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) dividend. Antithesis of [cum dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cum_dividend) (with dividend).

**Ex-dividend date**

The first day of trading when the buyer of a stock is no longer entitled to the most recently announced dividend payment ( i.e. the trade will settle the day after the record date, too late for the buyer to appear on the shareholder record and receive the dividend.) The date set by the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) (and generally followed on other U.S. [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)) is currently two business days before the [record date](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#record_date). A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that has gone [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend) is denoted by an x in newspaper listings on that date.

**Executor**

An individual or [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) institution nominated in a will and appointed by a court to settle the estate of a deceased person.

**Ex-legal**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) offered without a law [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [legal opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legal_opinion). A majority of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are issued with legal opinions.

**Expatriate**

An employee who is a U.S. citizen living and working in a foreign country.

**Ex-pit transaction**

The closing out of a futures position off the exchange floor. Effected when two hedgers, one long and one short, make a private deal in the cash market, and no longer need their (equal and opposite) futures contracts to hedge. The hedgers contact the exchange and request the contracts be nullified without making a trade on the floor. This must be done (1) to ensure neither contract results in delivery/the requirement to deliver; (2) to properly reflect open interest; and (3) to eliminate the uncertainty of the fill price should a trade actually be done to offset the positions. Extremely rare. Also known as an EFP transaction, an exchange-for-physicals transaction or an against-actuals transaction.

**Ex post return**

Related: [Holding-period return](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period_return)

**Ex-rights**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that are [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) without [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right) attached.

**Ex-rights date**

The date on which a share of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) with rights on it begins [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [ex-rights](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_rights).

**Expropriation**

The taking over of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or project by the state, implying [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) will be paid. Nationalization.

**Ex-warrants**

Describes a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) sale during the time in which the buyer of the stock is not entitled to the [warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) accompanying the stock.

**Exact interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid based on the basis of a 365-day/year schedule by a bank or other [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) as opposed to a 360-day basis ([ordinary interest](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#ordinary_interest)). Difference can be material when large [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) sums of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) are involved.

**Exact matching**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [portfolio management](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_management) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves finding the lowest cost [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) generating [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) inflows exactly equal to cash outflows that are being financed by [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Except for opinion**

An [auditor's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auditors_report) reflecting the fact that the auditor is unable to [audit](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#audit) certain areas of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) operations because of restrictions imposed by management or other conditions beyond the auditor's control.

**Expected rate of inflation**

The [public's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) expectations for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation). These expectations determine how large an effect a given policy action by the Fed will have on economic activity.

**Excess kurtosis**

Kurtosis measures the "fatness" of the [tails](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tail) of a [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution). Positive excess kurtosis means that distribution has fatter tails than a normal distribution. Fat tails means there is a higher than normal probability of big positive and negative [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) realizations. When calculating kurtosis, a result of +3.00 indicates the absence of kurtosis (distribution is mesokurtic). For simplicity in its interpretation, some statisticians adjust this result to zero (i.e. kurtosis minus 3 equals zero), and then any reading other than zero is referred to as excess kurtosis. Negative numbers indicate a platykurtic distribution; positive numbers indicate a leptokurtic distribution.

**Excess margin**

[Equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) present in an individual's [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) above the legal minimum required for a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) or the [maintenance requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maintenance_margin_requirement) at a brokerage firm.

**Excess profits tax**

Additional federal taxes placed on the [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) of a business, used only in time of national emergency such as war.

**Excess reserves**

Actual [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) that exceed [required reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_reserves).

**Excess return on the market portfolio**

Difference between the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio) and the [riskless rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate).

**Excess returns**

Difference between an asset's return and the [riskless rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate). Sometimes confused with [abnormal returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#abnormal_return), returns in excess of those required by some [asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_pricing_model).

**Exchange**

A marketplace in which shares, options and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), and [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) are traded. Principal U.S. [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) are: [New York Stock Exchange (NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange)), [American Stock Exchange (AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange)), and [National Association of Securities Dealers Automatic Quotation System (Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.)).

**Exchange, The**

A nickname for the [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange). Also known as the [Big Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#big_board), where more than 2000 [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) and [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) are traded. The exchange is the oldest in the United States, founded in 1792, and the largest. It is located on [Wall Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street) in New York City.

**Exchange of assets**

[Acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of another [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) by purchase of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in exchange for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Exchange controls**

Government restrictions on the purchase of [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) by domestic citizens or on the purchase of the local domestic [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) by foreigners.

**Exchange distribution**

A sale on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of a large [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a single [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [bunches](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bunching) a large number of buy [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) and sells the block all at once. The [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) receives a special [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) from the seller.

**Exchange fund (also known as swap fund)**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) vehicle introduced in 1999 that appeals to wealthy [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with large holdings in a single [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) who want to [diversify](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) without paying [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) taxes. These funds allow investors to exchange their stock for shares in a diversified [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of stocks in a tax-free [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Exchange members**

See: [Member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm); [seat](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#seat)

**Exchange offer**

An offer by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to give one [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), in exchange for another security, such as shares of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Exchange privilege**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) right to switch from one fund to another within one [fund family](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fund_family), usually at no additional charge.

**Exchange rate**

The price of one country's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) expressed in another country's currency.

**Exchange Rate Mechanism (ERM)**

The methodology by which members of the [EMS](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#e.m.s.) maintain their [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) within an agreed-upon range with respect to other member countries.

**Exchange rate risk**

Also called [currency risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_risk); the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that an [investment's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) value will change because of currency exchange rates.

**Exchange risk**

The variability of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) value that results from unexpected [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) changes, or the extent to which the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of a firm is expected to change as a result of a given [currency's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) or [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Exchange of stock**

[Acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of another [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) by purchase of its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in exchange for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Exchange Traded Funds (ETF)**

Also known as ETF. A [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) similar to an index mutual fund. However, there are a number of important differences between ETFs and mutual funds. The ETF can be traded within the day, they can be [shorted](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), purchased on [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) and there even exists options on some ETFs.

**Exchangeable**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Means the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer), if so stated, may substitute a convertible [debenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture) for an existing [convertible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_preferred_stock) preferred with identical terms. Most often used when a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) has an immediate need for [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) and a low [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate), and expects either or both conditions to change. This would make the debenture less attractive if the interest tax-[deductibility](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) is lost.

**Exchangeable instrument**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that may be exchangeable into the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a different [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Exchangeable Security**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) instrument that grants its holder the right to exchange it for the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) other than the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of the instrument.

**Excise tax**

Federal or state tax placed on the sale or manufacture of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), typically a luxury item e.g., alcohol.

**Exclusionary self-tender**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a given amount of its own [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) while excluding targeted [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder).

**Exclusive**

In the context of general equities, having sole possession of the customer [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/[indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication); not in [competition](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competition) with other [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Execution**

The process of completing an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to buy or sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Once a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), it is reported by a Confirmation Report; [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) (payment and [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of ownership) occurs in the U.S. between one ([mutual funds)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) and three ([stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)) days after an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) is executed. The time varies greatly across countries. In France, for example [settlements](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) are only once per month.

**Execution costs**

The difference between the [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the price that would have existed in the absence of a trade, which can be further divided into [market impact costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_impact_costs) and [market timing costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_timing_costs).

**Exempt List**

Sophisticated investors, usually institutional investors, who are considered informed enough that new issues can be marketed to them without a prospectus. This exemption reduces the cost of private placements.

**Exempt securities**

[Instruments exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) from the [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) requirements of the [Securities Act of 1933](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) or the [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) requirements of the [SEC Act of 1934](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_exchange_act_of_1934). Such [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) include [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond), [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency), [munis](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper), and [private placements](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_placement).

**Exemption**

Direct reductions from [gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_income) allowed by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service).

**Exercise**

To implement the right of the holder of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to buy (in the case of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)) or sell (in the case of a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Exercise limit**

Cap on the number of [option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) of any one class of contract that can be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) within a five-day period contract. There are no restrictions on exercise for the last 10 trading days before expiry. A [stock option's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option) [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) limit varies with the volume of the underlying stock.

**Exercise notice**

A [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) notification from a client who wants to [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) a right to buy or sell (depending on the type of [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract)) the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Exercise price**

The price at which the security underlying an [options contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) may be bought or sold.

**Exercise settlement amount**

The difference between the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of the option and the exercise [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) value of the index on the day an exercise notice is tendered, multiplied by the index multiplier.

**Exercise value**

The value of an [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) option if it was exercised today (before the expiration date). For a call option, this is the difference between the current asset price and the stike price. For a put option, it is the difference between the strike price and the current asset price.

**Exercising the option**

The act of buying or selling the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) via the option contract.

**Exhaust price**

The low price at which a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) must [liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) a client's holding in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) purchased in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) in order to meet a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) when the client cannot meet the [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Exim bank**

See: [Export-Import Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank)

**Exit fee**

See: [Back-end load](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#back_end_loan_fund)

**Exogenous**

Describes facts outside the control of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Converse of [endogenous](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#endogenous_uncertainty).

**Exogenous variable**

A [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) whose value is determined outside the model in which it is used. Related: [Endogenous variable](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#endogenous_variable)

**Exotic option**

Refers to [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that are more complex than simple put or call options. For example, a Caput is a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) on a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option). Exotic options trade over-the-counter.

**Expansion**

Phase of the [business cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) as it climbs from a [trough](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trough) toward a [peak](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#peak).

**Expectations hypothesis theories**

Theories of the [term structure of interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates), which include the [pure expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pure_expectations_theory); the [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) theory of the term structure, and the [preferred habitat theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_habitat_theory). These theories hold that each [forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) equals the expected future [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) for the relevant period. These three theories differ, however, on whether other factors also affect [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate), and how.

**Expectations theory of forward exchange rates**

A theory of [foreign exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) that states that the expected future [spot foreign exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) *t* periods from now equals the current *t*-period [forward exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_exchange_rate).

**Expected dividend yield**

Total amount of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) received during the life of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) or total dividends received for holding a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) one year. See: [Current yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_yield).

**Expected future cash flows**

Projected future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) associated with an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Expected future return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that is expected to be earned on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the future. Also called the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Expected return**

The [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on a [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), given a [probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_distribution) for the possible [rates of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return). Expected return equals some [risk-free rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_rate) (generally the prevailing U.S. [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) or [bond rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_rating)) plus a [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) (the difference between the historic [market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return), based upon a well diversified [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) such as the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 and the historic U.S. [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds)) multiplied by the [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta). The conditional expected return varies through time as a function of current market information.

**Expected return-beta relationship**

Implication of the [CAPM](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) that [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [risk premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) will be proportional to [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta).

**Expected return on investment**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) one can expect to earn on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). See: [Capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Expected Spot Rate**

The [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between two [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that is anticipated to prevail in the [spot market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_markets) on a given future date. It differs from the current [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) primarily by the extent to which [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) expectations in the two currencies differ.

**Expected value**

The weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of a [probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_distribution). Also known as the mean value.

**Expected value of perfect information**

The [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) if the future uncertain outcomes could be known minus the expected value with no additional information.

**Expense ratio**

The percentage of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are spent to run a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) (as of the last [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) statement). This includes [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) such as management and advisory fees, [overhead](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overhead) costs, and [12b-1 (distribution and advertising](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#12b_1_fees)) fees. The expense ratio does not include brokerage costs for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), although these are reported as a percentage of assets to the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) by the funds in a [Statement of Additional Information (SAI)](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_additional_information). The SAI is available to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) on request. Neither the expense ratio nor the SAI includes the [transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs) of [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread), normally incurred in [unlisted securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unlisted_security) and foreign [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). These two costs can add significantly to the reported expenses of a fund. The [expense ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expense_ratio) is often termed an [Operating Expense](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operating_expenses) Ratio (OER).

**Expensed**

Charged to an expense account, fully reducing reported [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) of that year, as is appropriate for expenditures for items with useful lives under one year.

**Experience rating**

A technique insurance [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) use to determine the correct price of a [policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_premium).

**Expiration**

The time an [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) lapses.

**Expiration cycle**

The recurring cycle of expiry months for which options on a particular security can be available. Basic options are placed in one of three cycles; Cycle 1 (the January/April/July/October, or the first month of each quarter); Cycle 2 (the second month of each quarter); or Cycle 3 (the third month of each quarter).   
At any one time, a basic option has contracts with three [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) dates outstanding. For example, in mid-February, options trading on cycle 3 will have March, June and September expiries available. Late in March, after the March options expire, a December contract will be added, thus offering June, September and December expiries.   
Higher-volume equity options, index options, and LEAPS can trade on other cycles, such as Cycle 4, Cycle 5 or Cycle 6. Cycle 4, for example, offers options in the two nearest months plus two months from Cycle 3. For example, in mid-April, there would be April, May, June and September [expires](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) available. A month later, there would be May, June, September and December expiries available for trading.

**Expiration date**

The last day (in the case of [American-style)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_style_option) or the only day (in the case of European-style) on which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) may be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise). For [stock options](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option), this date is the Saturday immediately following the third Friday of the [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) month; brokerage firms may set an earlier deadline for notification of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) holder's intention to [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise). If Friday is a holiday, the [last trading day](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#last_trading_day) will be the preceding Thursday.

**Expiration time**

The time of day by which all [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) notices must be received on the expiration date. Technically, the expiration time is currently 11:59AM on the expiration date, but [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) holders of option contracts must indicate their desire to exercise no later than 5:30PM on the business day preceding the expiration date. The times are Eastern Time. See also [Expiration Date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Explicit Bankruptcy Costs**

Specific costs incurred during the [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) process such as legal fees, court costs, consultants' fees, and document preparation [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**Explicit tax**

A tax specifically collected by a government; includes [income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax), [withholding](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax), [property](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#property_tax), [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_tax), and [value-added taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_added_tax) and [tariffs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tariff).

**Exploding term sheet**

[Venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) jargon. Often a proposed term sheet might explode or be null and void in a fixed period set to negotiate the final [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Export Commodity Control List**

A listing administered by the U.S. Department of Commerce of items requiring validated export licenses for shipment to some or all countries.

**Export Credit Agency**

An [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) established by a country to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) its nation's goods, [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments), and services, often offers political risk insurance.

**Export Credit Guarantee**

Guarantee from the UK Export Credit Agency.

**Export Development Corp.**

Canada's Export Credit Agency.

**Export Finance Insurance Corp.**

Australia's Export Credit Agency.

**Export-import Bank (Ex-IM Bank)**

The U.S. federal government [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that extends trade credits to U.S. [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to facilitate the financing of U.S. exports.

**Export financing interest**

Interest income derived from goods manufactured in the U.S. and sold outside the U.S. as long as not more than 50% of the value is imported into the U.S.

**Export License**

Permission from the exporter's government to export specific merchandise to a particular country.

**Export management company**

A foreign or domestic [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that acts as a sales agent and distributor for domestic exporters in [international markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_market).

**Export Management Consultant (EMC)**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) serving as the export department of other [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Normally, EMC's work on a commission basis and do not take title to the goods they export. Also see: [Export Trading Company](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_trading_company).

**Export Trading Company (ETC)**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) serving as the export department of other [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). They usually take title, [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and responsibility for the goods they export.

**Exports**

Goods or services sold to parties in foreign countries.

**Exposure netting**

[Offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) exposures in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) with exposures in the same or another currency, when [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) are expected to move in such a way that [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) or [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) on the first exposed [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) should be [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by gains or losses on the second currency exposure.

**Expost average rate of return**

The historical [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) percentage an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) has [yielded](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Expropriation**

The official seizure by a government of private property. Any government has the right to seize such property, according to international law, if prompt and adequate [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) is given.

**Expunge**

Used in the context of general equities. Remove any trace of an [Auto](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex) [indication's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) existence at any time. See: [Cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**Extendable bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) can be extended at the option of the holder (investor).

**Extendable notes**

[Note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) with [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) that can be extended by mutual agreement between the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Extension**

Voluntary arrangements to restructure a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), under which the payment date is postponed.

**Extension date**

The day on which the first [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) either [expires](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) or is extended.

**Extension swap**

Extending maturity through a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap), e.g. selling a 2-year [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) and buying one with a slightly longer [current maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_maturity).

**External efficiency**

Related: [Pricing efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pricing_efficiency)

**External finance**

Funding that is not generated by a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) operations: new [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**External funds**

Funds originating from a source outside the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to increase [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) and to aid in expansion efforts, e.g., bank [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer).

**External market**

Also referred to as the [international market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_market), the offshore market, or, more popularly, the Euromarket. A mechanism for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that at [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) (1) are offered simultaneously to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in a number of countries and (2) are issued outside the jurisdiction of any single country. Related: [Internal market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_market).

**Extinguish**

[Retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) or pay off [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Extra Dividend**

A temporary increase in a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) beyond the normal level.

**Extraordinary call**

Early [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) of a [revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revenue_bond) because the revenue source paying the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) has been eliminated or has disappeared.

**Extraordinary item**

An unusual and unexpected one-time event that must be explained to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) in an annual or [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) report, e.g., write down for a discontinued operation, employee fraud, a lawsuit, or other one-time events. Results are often presented with and without these items. The logic of excluding these items is that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have a better notion of future performance if one-time events are excluded. Differs from an unusual item in that extraordinary items are (1) material; (2) non-recurring; and (3) outside the ordinary nature of the business.

**Extra or special dividends**

A one-time or special [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that is paid in addition to a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) established or expected [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Extraordinary positive value**

A positive [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value).

**Extrapolative statistical models**

Models that apply a formula to historical data and project results for a future period. Such models include the [simple linear trend model](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#simple_linear_trend_model), the simple exponential model, and the simple [autoregressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autoregressive) model.

**F**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is a foreign [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**FAC**

See: [Federal Advisory Council](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_advisory_council)

**FAS**

Abbreviation for the Incoterm [Free Alongside Ship.](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_alongside_ship)

**FASB**

See: [Financial Accounting Standards Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_accounting_standards_board)

**FCA**

Abbreviation for the [Free Carrier](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_carrier)

**FCIA**

See: [Foreign Credit Insurance Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_credit_insurance_association)

**FCM**

See: [Futures commission merchant](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_commission_merchant)

**FDI**

See: [Foreign direct investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_direct_investment)

**FDIC**

See: [Federal Deposit Insurance Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_deposit_insurance_corporation)

**FFO**

See: [Funds from operations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funds_from_operations)

**FIRREA**

See: [Financial Institutions Reform, Recovery and Enforcement Act of 1989](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institutions_reform)

**FI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FINLAND.

**FIM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Finnish Markka.

**FJ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FIJI.

**FJD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Fijian Dollar.

**FK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FALKLAND ISLANDS (MALVINAS).

**FKP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Falkland Islands Pound.

**FO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FAROE ISLANDS.

**FOK**

See: [Fill or kill order](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fill_or_kill_order)

**FM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MICRONESIA, FEDERATED STATES OF.

**FPA**

Abbreviation for the [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) term [Free of Particular Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_of_particular_average)

**FR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FRANCE.

**FRA**

See: [Forward rate agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate_agreement)

**FRF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the French Franc.

**FRN**

See: [Floating-rate note](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note)

**FSC**

See: [Foreign Sales Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_sales_corporation)

**FX Rate**

See:[Foreign exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange_rate)

**Face-amount certificate**

A [debt security](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by face amount. The holder makes payments periodically to the [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), and the issuer promises to pay the purchaser the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) or the [surrendered value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_surrender_value) if the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is presented by the maturity specified in the [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate).

**Face value**

See: [Par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value)

**Facilitation**

The process of providing a market for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Normally, this refers to bids and offers made for large blocks of securities, such as those traded by institutions. Listed options may be used to offset part of the risk assumed by the trader who is facilitation the large block order. See also: [Hedge ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_ratio).

**Factor**

A [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that buys a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) and collects the accounts.

**Factor analysis**

A statistical procedure that seeks to explain a certain phenomenon, such as the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on a [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), in terms of the behavior of a set of predictive [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Factor model**

A way of decomposing the forces that influence a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) into common and [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_risk) influences.

**Factor portfolio**

A [well-diversified portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#well_diversified_portfolio) constructed to have a [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of 1.0 on one [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) and a [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of zero on any other [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Factor Return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) attributable to a particular [common factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_factor). We decompose [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) into a common factor component, based on the asset's exposures to common factors times the factor returns, and a specific return.

**Factoring**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) to a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) known as a [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Fade**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Fill another [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) of stock.

**Fail**

A deal is said to fail if on the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) either the seller does not [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in proper form or the buyer does not to deliver funds in proper form.

**Fair-and-equitable test**

A set of requirements for a plan of [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) to be approved by the [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) court.

**Fair game**

An investment prospect that has a zero [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium).

**Fair market price**

Amount at which an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) would change hands between two parties, that both have knowledge of the relevant facts. Also referred to as [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices).

**Fair price**

The [equilibrium price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium_price) for [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Also called the [theoretical futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#theoretical_futures_price), which equals the [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) [continuously compounded](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#continuous_compounding) at the [cost of carry rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_carry) for some time interval. In the context of corporate goverance, Fair-Price provisions limit the range of prices a bidder can pay in two-tier offers. They typically require a bidder to pay to all shareholders the highest price paid to any during a specified period of time before the commencement of a tender offer and do not apply if the deal is approved by the board of directors or a supermajority of the target's shareholders. The goal of this provision is to prevent pressure on the target's shareholders to tender their shares in the front end of a two-tiered tender offer, and they have the result of making such and acquisition more expensive. A majority of states have fair price laws.

**Fair price provision**

See:[Appraisal rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appraisal_rights)

**Fair rate of return**

The [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) that state governments allow a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) to earn on its [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and [expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures). Utilities then use these [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) to pay [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) and provide service upgrades to their customers.

**Fair value**

In the context of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), the [equilibrium price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium_price) for [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Also called the [theoretical futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#theoretical_futures_price), which equals the [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) [continuously compounded](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#continuous_compounding) at the [cost of carry rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_carry) for some time interval. More generally, fair value for any [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) simply refers to the perception that it is neither underpriced (too cheap) nor overpriced (too expensive).

**Fairness opinion**

An [investment banker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) professional opinion as to the price an [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) or [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger).

**Fall Down**

In the context of general equities, may not be able to produce as indicated in one's advertised [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), due to less help (than anticipated) from other parties or due to changing market conditions.

**Fall out of bed**

A sudden drop in a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price resulting from failed or poor business deals gone bad or falling through.

**Fallen angels**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that at the time of [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) were considered [investment grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds) but that have dropped below that [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) over time.

**Fallout risk**

A type of [mortgage pipeline risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline_risk) that is generally created when the terms of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to be [originated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#origination) are set at the same time the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) terms are established. The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) is that either of the two parties, [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), fails to close and the loan "falls out" of the pipeline.

**Fama, Eugene F.**

Finance professor at the University of Chicago. Developer of the Efficient Markets Hypothesis.

**Family of funds**

Different [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) offered by one [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company).

**Far month**

Used in the context of [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) to refer to the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) month of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that is farthest away. Antithesis of [nearest month](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nearest_month).

**Farther out; farther in**

Used in the context of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to refer to the relative length of [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**FASB No. 8**

U.S. accounting standard that requires US [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to translate their foreign affiliates' accounts by the [temporal method](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#temporal_method); that is reporting gains and losses from [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in current income. It was in effect between 1975 and 1981 and became the most controversial accounting standard in the US It was replaced by [FASB No. 52](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fasb_no._52) in 1981.

**FASB No. 52**

The US accounting standard that replaced [FASB No. 8.](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fasb_no._8) US companies are required to translate foreign accounts in terms of the [current rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_rate_method) and report the changes from [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in a [cumulative translation adjustment account](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_translation_adjustment_account) in the [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) section of the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet).

**Fast market**

Excessively rapid [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a specific [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that causes a delay in the electronic updating of its [last sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#last_sale) and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions, particularly in [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Favorable Balance of Trade**

The value of a nation's exports in excess of the value of its imports.

**Favorable trade balance**

Condition that total exports of a nation exceed total imports, creating a [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) export.

**Feasible portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can construct, given the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) available.

**Feasible set of portfolios**

The [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) of all feasible [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Feasible target payout ratios**

[Payout ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payout_ratio) that are consistent with the level of excess funds available to make [cash dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend) payments.

**FED Pass**

A [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) action adding more [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) to the banking system, increasing the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) available for [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend), and making [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) easier to attain.

**Federal Advisory Council (FAC)**

Advisory group made up of one representative (in most cases a banker) from each of the 12 Federal Reserve districts. Established by the Federal REserve Act, the council meets periodically with the Board of Governors to discuss business and [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) conditions and make recommendations.

**Federal agency bond**

[Fixed-income security](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a government agency such as FNMA.

**Federal agency securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) created by the US government, such as the [Federal Home Loan Bank Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_banks) and [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association).

**Federal Agricultural Mortgage Corporation (Farmer Mac)**

A federal agency [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1988 to provide a [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) for farm [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Federal credit agencies**

[Agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) of the federal government set up to supply [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to various [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) or institutions and individuals, e.g., S&Ls, small business [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), students, farmers, and exporters.

**Federal deficit (surplus)**

When federal government [expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures) are exceeded by federal government revenue.

**Federal Farm Credit Bank**

An institution created by the government with the purpose of uniting the [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) activities of the Federal Land Banks, the [Federal Intermediate Credit Banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_intermediate_credit_bank), and the banks for [cooperatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cooperative). See: [Federal Farm Credit System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_farm_credit_system).

**Federal Farm Credit System**

A system [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1971 through the farm credit act providing farmers with [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) services through a Federal Land Bank, a [Federal Intermediate Credit Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_intermediate_credit_bank), and a bank for [cooperatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cooperative). See: [Federal Farm Credit Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_farm_credit_bank).

**Federal Deposit Insurance Corporation (FDIC)**

A federal institution that insures bank deposits.

**Federal Financing Bank**

A federal institution that [lends](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) to a wide array of [federal credit agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_credit_agencies) funds it obtains by [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from the US [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury).

**Federal funds**

Noninterest-bearing deposits held in [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) for depository institutions at their district [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system). Also, [excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves) lent by banks to each other.

**Federal funds market**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which banks can [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) [reserves,](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) allowing banks temporarily [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) of their [required reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_reserves) to borrow reserves from banks that have [excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves).

**Federal funds rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that banks with [excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves) at a [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) district bank charge other banks that need overnight [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). The [Fed funds rate,](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds_rate) as it is called, often points to the direction of US [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). The most sensitive [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) of the direction of [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), since it is set daily by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), unlike the [prime rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prime_rate) and the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate).

**Federal gift tax**

A federal tax imposed on [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) conveyed as gifts to individuals.

**Federal Home Loan Banks**

The institutions that regulate and [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) to [savings and loan associations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association). The Federal Home Loan Banks play a role analogous to that played by the [Federal Reserve Banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) vis-à-vis member commercial banks.

**Federal Home Loan Mortgage Corporation (FHLMC)**

See: [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac)

**Federal Housing Administration (FHA)**

Federally sponsored agency [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1934 whose [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is currently owned by savings institutions across the United States. The agency buys [residential mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residential_mortgage) that meet certain requirements, sells these [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) in [packages](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#package_mortgage), and insures the [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) against [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Federal Housing Finance Board (FHFB)**

US government agency [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1989 to assume the responsibilities formerly held by the [Federal Home Loan Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_banks) system.

**Federal Intermediate Credit Bank**

A bank sponsored by the federal government to provide funds to [institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) making [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to farmers.

**Federal intrafund transactions**

[Intrabudgetary transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrabudgetary_transactions) in which payments and [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) both occur within the same federal fund group.

**Federal Land Bank**

A bank administered under the US Farm Credit Administration that provides [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to farmers for agriculture-related [expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures).

**Federal margin call**

A broker's demand upon a customer for cash, or securities needed to satisfy the required [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t) down payment for a purchase or short [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of securities.

**Federal Maritime Commission (FMC)**

A U.S. government agency that regulates and administers the shipping industry. This agency also grants freight forwarder licenses.

**Federal National Mortgage Association (Fannie Mae)**

A [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) owned, government-[sponsored](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sponsor) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1938 to purchase [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) from [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and resell them to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). Known by the nickname Fannie Mae, it [packages mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#package_mortgage) backed by the [Federal Housing Administration](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_housing_administration), but also sells some nongovernment-backed mortgages.

**Federal Open Market Committee (FOMC)**

The body that is responsible for setting the [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) policies of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Federal Reserve Act of 1913**

Federal legislation that established the Federal Reserve System.

**Federal Reserve Bank**

One of the 12 [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) constituting the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) that is responsible for overseeing the commercial and [savings banks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bank) of its region to ensure their compliance with [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations).

**Federal Reserve District (Reserve district or district)**

One of the twelve geographic regions served by a Federal Reserve Bank.

**Federal Reserve Board (FRB)**

The seven-member governing body of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system), which is responsible for setting [reserve requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve_requirements), and the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate), and making other key economic decisions.

**Federal Reserve float**

Float is checkbook [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) that appears on the books of both the check writer (the payor) and the check receiver (the payee) while a check is being processed. Federal Reserve float is float present during the Federal Reserve's check [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) process. To promote efficiency in the payments system and provide certainly about the date that deposited funds will become available to the receiving depository institutions (and the payee), the Federal Reserve credits the reserve accounts of banks that deposit check according to a fixed schedule. However, processing certain checks and collecting funds from the banks on which these checks are written may take more time than the schedule allows. Therefore, the accounts of some banks may be [credited](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) before the Federal Reserve is able to collect payment from other banks, resulting in Federal Reserve float.

**Federal Reserve notes**

[Issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the US government to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) through the [Federal Reserve Banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_bank) and their [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank). They represent [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) owed by the government to the public. Currently, the item "Federal Reserve notes amounts [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding)" consists of new [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) issues. The Federal Reserve [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) is the only class of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) currently issued.

**Federal Reserve System**

The monetary authority of the US, established in 1913, and governed by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) located in Washington, D.C. The system includes 12 [Federal Reserve Banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_bank) and is authorized to [regulate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) [monetary policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy) in the US as well as to supervise Federal Reserve [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank), bank [holding companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company), international operations of US banks, and US operations of foreign banks.

**Federal Savings and Loan Association**

An institution [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by the federal government whose primary function is to collect savings deposits and to provide [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Federally related institutions**

Arms of the federal government exempt from [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) registration whose [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are backed by the [full faith and credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_faith_and_credit_obligations) of the US government (with the exception of the Tennessee Valley Authority).

**Fedwire**

A wire transfer system for high-value payments operated by the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Fee**

A fixed amount or a percentage of an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Fee table**

Schedule found in a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) that discloses and [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) illustrates the expenses and fees a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) will incur.

**Fee-and-commission compensation**

See: [Fee-based compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fee_based_compensation)

**Fee-based compensation**

Payment to a [financial adviser](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) of a set hourly rate, or an agreed-upon percentage of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) under management, for a [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan). When the plan is implemented, the adviser may also receive [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) on some or all of the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) products purchased, which would be [fee-and-commission compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fee_and_commission_compensation).

**Fee-only compensation**

Payment to a [financial adviser](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) of a set hourly rate, or an agreed-upon percentage of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) under management, for a [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Feedback Systems**

An equation where the output becomes the input in the next iteration. This is much like a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) address system where the microphone is placed next to the speakers generating feedback as the signal is looped through the PA system.

**FHA prepayment experience**

The percentage of [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) at the origination anniversary, based on [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) statistical historic survival rates for FHA-insured mortgages.

**Fiat money**

Nonconvertible paper [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money)y.

**FICO**

See: [Financing corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financing_corporation)

**Fictitious credit**

A [margin account's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) [credit balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_balance). Fictitious [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) exists after the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) from a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) are accounted for with respect to the [margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_requirement). The proceeds from the short sale are reflected as a credit, but must stay in the [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) to serve as [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) made in a short sale, and are therefore inaccessible to the client for withdrawal.

**Fidelity bond**

See: [Blanket fidelity bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blanket_fidelity_bond)

**Fiduciary**

One who must act for the benefit of another party.

**Fiduciary out**

A provision that permits the Board of Directors to terminate a proposed merger if a better deal arises with another party.

**Field warehouse**

Warehouse rented by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) on another [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) premises.

**FIFO**

See: [First in, first out](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#first_in_first_out)

**Figure**

Refers to details about price including the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer). See: [Handle](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#handle)

**Figuring the tail**

Calculating the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) at which a future [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) (one available some period hence) is purchased when that future [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is created by buying an existing [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) and [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the initial portion of its life with a [term repo](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_repo).

**Fill**

The price at which an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Fill or kill order (FOK)**

A [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that is [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) unless [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) within a designated time period. A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_price_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) in its entirety as soon as it is represented in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading), and, if not so executed, is to be treated as [canceled.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) For purposes of this definition, a [stop](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) is considered an execution. Equivalent to [AON](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order) and [IOC](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immediate_or_cancelled_order) simultaneously.

**Filter**

A rule that stipulates when a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) should be bought or sold according to its [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) action.

**Final Take**

In the context of project financing, the final participation.

**Finance**

A discipline concerned with determining value and making decisions. The finance function allocates resources, including the [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer), [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), and [managing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#manager) of resources.

**Finance charge**

The total cost of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) a customer must pay on a consumer [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), including [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Finance company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose business and primary function is to make [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to individuals, while not receiving deposits like a bank.

**Finance Lease**

An agreement where the leaser receives [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) payments to cover its ownership [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). The [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee) is responsible for maintenance, insurance, and taxes. Some finance leases are conditional [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or hire [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) agreements.

**Financial Accounting Standards Board (FASB)**

Board composed of independent members who create and interpret Generally Accepted Accounting Principles (GAAP).

**Financial adviser**

A professional offering [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) advice to clients for a fee and/or [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Financial analysis**

Analysis of a [company'](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement), often by financial [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst).

**Financial analysts**

Also called [securities analysts](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_analysts) and [investment analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_analysts). Professionals who analyze [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement), interview corporate executives, and attend trade shows, in order to write reports recommending either purchasing, selling, or holding various stocks.

**Financial assets**

Claims on [real assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets).

**Financial Close**

The time when the documentation has been [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) and conditions precedent have been satisfied or waived. [Drawdowns](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drawdown) are now permissible.

**Financial control**

The management of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) costs and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) in relation to [budgeted](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) amounts.

**Financial distress**

Events preceding and including [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), such as violation of [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Financial distress costs**

Legal and administrative costs of [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) or [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization). Also includes implied costs associated with impaired ability to do business (indirect costs).

**Financial engineering**

Combining or carving up existing [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) to create new [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) products.

**Financial future**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) entered into now that provides for the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of a specified [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in exchange for the selling price at some specified future date.

**Financial guarantee insurance**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) created to cover [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from specified [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Financial innovation**

Design of any new [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) product, such as [exotic currency options](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exotic_option) and [swaps](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap).

**Financial institution**

An [enterprise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#enterprise) such as a bank whose primary business and function is to collect [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) from the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) it in [financial assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets) such as [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Financial institution buyer credit policy**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) coverage for [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) by banks to foreign buyers of exports.

**Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)**

Legislation that established the [Office of Thrift Supervision](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#office_of_thrift_supervision), which was created in the wake of the savings and [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) crisis of the late 1980s.

**Financial intermediaries**

institution that provide the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) function of matching [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) or [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders).

**Financial lease**

[Long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term), non[cancellable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) [rental](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent) agreement.

**Financial leverage**

Use of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to increase the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). Financial leverage is measured by the ratio of debt to debt [plus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Financial leverage clientele**

A group of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who have a preference for investing in [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that adhere to a particular [financial leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage) policy.

**Financial leverage ratios**

Common ratios are [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) divided by equity a debt divided by the sum of debt plus equity. Related: [capitalization ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization_ratios).

**Financial market**

An organized institutional structure or mechanism for creating and exchanging [financial assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets).

**Financial needs approach**

A method of establishing the amount of [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) required by an individual by estimating the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) needs of dependents in the event of the individual's death.

**Financial objectives**

Goals related to returns that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will strive to accomplish during the period covered by its [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Financial plan**

A blueprint relating to the financial future of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Financial planner**

An investment professional who assists individuals with [long-](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) goals.

**Financial planning**

Evaluating the investing and [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) options available to a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Planning includes attempting to make optimal decisions, projecting the consequences of these decisions for the firm in the form of a [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan), and then comparing future performance against that plan.

**Financial policy**

Criteria describing a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) choices regarding its [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)/[equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) mix, [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of [denomination](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination), [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) structure, method of [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) projects, and [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) decisions with a goal of maximizing the value of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to some set of [stockholders.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stakeholders)

**Financial position**

The [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) status of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or individual's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) as reflected on its [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Financial press**

Media devoted to reporting [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) news.

**Financial price risk**

The chance there will be unexpected changes in a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) price, including [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) ([foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange)) risk, [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) risk, and [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [price risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_risk).

**Financial public relations**

[Public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) relations division of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) charged with cultivating positive [investor relations](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor_relations) and proper [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) information.

**Financial pyramid**

A [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) structure that [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) risks across low-, medium-, and high-risk vehicles. The bulk of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are in safe, low-risk [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that provide a predictable [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) (base of the pyramid). At the top of the pyramid are a few high-risk ventures that have a modest chance of success.

**Financial ratio**

The result of dividing one [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) item by another. Ratios help [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) interpret financial statements by focusing on specific relationships.

**Financial risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) of an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) will not be adequate to meet its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). Also referred to as the additional risk that a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) bears when the firm uses [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Financial service income**

Income from delivery of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) services such as banking, [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), [leasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), or financial service [management fees](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management_fee).

**Financial statement**

A report of basic accounting data that helps [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) understand a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) history and activities.

**Financial statement analysis**

Evaluation of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) in order to assess the firm's [worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) and its ability to meet its financial [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Financial strategy**

Practices a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) adopts to pursue its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) objectives.

**Financial structure**

The way in which a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are financed, such as [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [borrowings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt), and [owners equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#owners_equity). Financial structure differs from [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) in that capital structure accounts for long-term [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and equity only.

**Financial supermarket**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) offering a wide variety of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) services such as a combination of banking services, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), and [insurance brokerage](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_broker).

**Financial tables**

Tables found in newspapers listing prices, [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), [price-earnings ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_earnings_ratio), [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume), and other important data on [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Financial Times (F-T)-Actuaries indexes**

[Share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) price indexes for U.K. companies The [denominator](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) formula is the market capitalization at the [base date](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base_period), adjusted for all [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) changes affecting the particular index since the base date. See: [Footsie](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#footsie) (FTSE) (pronounced footsie).

**Financing Agreements**

In the context of project financing, the documents which provide the project financing and sponsor support for the project as defined in the project [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Financing Corporation (FICO)**

A government agency [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in 1987 to [bail out](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bailing_out) the Federal Savings and Loan Insurance Corporation (FSLIC) by [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Financing decisions**

Decisions concerning the [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) and [stockholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholders_equity) side of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [balance sheet,](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) such as a decision to [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Financing Intermediaries**

institutions that effect agreement terms between [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) by reaching separate agreements with the borrower and the lender.

**Financing Cost Savings**

A source of [competitive](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competition) advantage that depends on access to low cost sources of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Finder's fee**

A fee a person or [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) charges for service as an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) in a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**FINEX**

The Financial [Futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [Options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) Division of the [New York Cotton Exchange (NYCE)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_cotton_exchange), with a [trading floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) in Dublin, FINEX Europe, creating a 24-hour market in most FINEX contracts.

**Finish**

Used in the context of general equities. See: [Fill](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fill).

**Finite-Life Real Estate Investment Trust (FREIT)**

A [Real Estate Investment Trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate_investment_trust) whose priority is to sell its holdings within a specified period to realize [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Firewall**

The legal barrier between banking and [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) operations within a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) created to prevent the exchange of [inside information](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_information).

**Firm**

Refers to an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to buy or sell that can be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) without confirmation for some fixed period. Also, a synonym for [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Firm anomalies**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that generate abnormal [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) based on [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)-specific characteristics.

**Firm commitment underwriting**

An [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) in which an [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) commits to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell an entire [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and assumes all [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) responsibility for any unsold [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Firm market**

In the context of general equities, [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) at which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) can actually be bought or sold in decent sizes, as compared to an [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) with very little depth. See: [Actual market](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#actual_market).

**Firm order**

In the context of general equities, (1) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to buy or sell for the proprietary account of the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm); (2) buy or sell order not conditional upon the customer's confirmation.

**Firm quote**

A definite price on a [round-lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) declared by a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) on a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and not identified as a [nominal quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal_quotation) (therefore is not [negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable)).

**Firm-specific news**

News that affects only a specific [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). news by contrast affects many firms.

**Firm-specific risk**

See: [Diversifiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) risk or [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk)

**Firm's net value of debt**

Total firm value [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) total firm [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**First board**

The [Chicago Board of Trade's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_board_of_trade) established dates for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**First call**

With [collateralized mortgage obligation (CMOs.)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation), the start of the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) cycle for the cash flow [window](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#window).

**First call date**

A date stated in an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture), that is the first date on which the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) may [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) either partially or completely.

**First In, First Out (FIFO)**

An accounting method for valuing the cost of goods sold that uses the cost of the oldest item in [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) first.

**First market**

[Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)-[traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**First mortgage**

A type of [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) that through a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) gives [precedence](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#precedence) to the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) of the first [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) over all other lenders in case of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**First notice day**

The first day, varying by [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) and exchanges, on which notices of intent to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) actual [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity) against [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) are authorized.

**First-pass regression**

A [time series](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_series_models) [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) to estimate the [betas](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**First preferred stock**

A type of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that has priority over other preferred [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) when claiming [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Fiscal agency agreement**

An alternative to a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [trust deed](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust_deed). Unlike the [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), the fiscal [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) acts as a representative of the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Fiscal agency services**

Services performed by the Federal Reserve Banks for the U.S. government. These include maintaining deposit accounts for the Treasury Department, paying U.S. government checks drawn on the Treasury, and issuing and redeeming savings bonds and other government securities.

**Fiscal policy**

Government spending and taxing for the specific purpose of stabilizing the economy.

**Fiscal year (FY)**

Accounting period covering 12 consecutive months over which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) determines [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). The fiscal year serves as a period of reference for the company and does not necessarily correspond to the calendar year.

**Fiscal year-end**

The end of a 12-month accounting period.

**Fisher effect**

A theory that [nominal interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal_interest_rate) in two or more countries should be equal to the [required real rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_rate_of_return) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) plus [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for the expected amount of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) in each country.

**Fisher's separation theorem**

The notion that a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) choice of investments is separate from its owner's attitudes toward investments. Also referred to as [portfolio separation theorem](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_separation_theorem).

**Fit**

The matching of the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) requirements and needs such as [risk tolerance](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_tolerance) and growth potential preference with a specific [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Fitch sheet**

Used in the context of general equities. Chronological listing of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) showing the price, size, [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), and time (to the second) of the trades; obtained by hitting "#M" on Quotron.

**Five Cs of credit**

Five characteristics that are used to form a judgment about a customer's [creditworthiness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness): character, [capacity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capacity), [capital,](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [collateral,](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) and conditions.

**Five hundred dollar rule**

A rule of the [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) that excludes deficiencies of $500 or less in [margin requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_requirement) as a necessary reason for the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to [liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) the client's [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) to [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).

**Five percent rule**

A rule of the [National Association of Securities Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers) providing ethical guidelines for [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) created by [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) and [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) charged by [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Fixation**

The process of setting a price of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), whether in the present or the future. See: [Gold fixing](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_fixing).

**Fixed asset**

Long-lived property owned by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is used by a firm in the production of its income. [Tangible fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tangible_asset) include [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), [plant](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plant), and equipment. [Intangible fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset) include [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent), [trademarks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trademark), and customer recognition.

**Fixed asset turnover ratio**

The ratio of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset).

**Fixed annuities**

[Contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) in which an insurance company or [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuing_bank) [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) pays a fixed dollar amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) per period.

**Fixed benefits**

Payments to a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) that are paid in fixed preset amounts and are not variable.

**Fixed-charge coverage ratio**

A measure of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to meet its fixed-charge [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation): the ratio of (Earnings before interest, depreciation and amortization minus unfunded capital expenditures and distributions) divided by total debt service (annual principal and interest payments). Notice that lease payments are sometimes included in the calculations.

**Fixed cost**

A cost that is fixed in total for a given period of time and for given production levels.

**Fixed dates**

In the [Euromarket](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency_market), the standard periods for which [Euros](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) (one month out to a year out) are referred to as the [fixed dates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_dates).

**Fixed-dollar obligations**

Conventional [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for which the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) is set at a fixed percentage of the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Fixed-dollar security**

A non[negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable) [debt security](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) that can be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) at some fixed price or according to some schedule of fixed values, e.g., bank deposits and government [savings bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond).

**Fixed exchange rate**

A country's decision to tie the value of its [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to another country's currency, gold (or another [commodity)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), or a [basket of currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket_options).

**Fixed for floating swap**

An [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) in which the fixed rate payments are [tradeed](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for a [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_payer).

**Fixed income equivalent**

Also called a [busted convertible.](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#busted_convertible) [Convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) that is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) like a straight [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) because the [optioned](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) is trading well below the [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price).

**Fixed income instruments**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that pay a fixed dollar amount, such as [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Fixed income market**

The market for trading [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Fixed-income securities**

[Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that have specific [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), such as [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Fixed premium**

Payments of a fixed or equal amount paid to an insurance company for [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) or an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity).

**Fixed price basis**

An [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a fixed price.

**Fixed-price tender offer**

A one-time [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to purchase a stated number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at a stated fixed price, usually at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) over the current [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) price.

**Fixed rate**

A traditional approach to determining the finance charge payable on an extension of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit). A predetermined and certain rate of interest is applied to the principal.

**Fixed-rate loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) whose rate is fixed for the life of the loan.

**Fixed-rate payer**

In an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap), the [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) who pays a [fixed rate,](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan) usually in exchange for a [floating-rate payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float).

**Fixed-term reverse mortgage**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) in which the [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) institution provides payments to a homeowner for a fixed number of years.

**Fixed trust**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) consisting of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that were agreed upon at the time of investment and do not change.

**Flag**

A [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) reflecting price [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) within a narrow [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range), generating a rectangular area on a graph both prior to and after sharp rises or declines.

**Flash**

Value of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) displayed, or flashed across the [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape), when the tape display cannot keep up with [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and lags the current price is lagged more than approximately five minutes.

**Flat**

Convertibles: Earning [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on the date of payment only.  
General: Having neither a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) nor a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a stock. [Clean](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean).  
[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market): Characterized by [horizontal price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement), usually the result of low activity.  
Equities: To [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) without [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) or markup.

**Flat benefit formula**

Method used to determine a participant's benefits in a [defined benefit plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_benefit_plan) by multiplying months of service by a [flat](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flat) monthly benefit.

**Flat price (also clean price)**

The quoted newspaper price of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that does not include [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). The price paid by the purchaser is the [full price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_price).

**Flat price risk**

[Taking a position](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_a_position) either [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) that does not involve [spreading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Flat scale**

The [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) for new [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) where [shorter-](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) and [longer-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) display very little difference over the [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range).

**Flat tax**

A tax which is levied at the same rate on all levels of income. Antithesis of [progressive tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#progressive_tax_system).

**Flat trades**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) [trades flat;](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_flat) that is, the price quoted covers both [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and unpaid [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). Any [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) without accrued interest or at a price that includes accrued interest is said to [trade flat](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_flat).

**Flattening of the yield curve**

A change in the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve) when the [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [Treasuries](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) has decreased. Compare [steepening of the yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#steepening_of_the_yield_curve) and [butterfly shift](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#butterfly_shift).

**FLEX Options**

Exchange traded equity or index options, where the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can specify within certain limits, the terms of the options, such as [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) [Expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date), exercise type, and settlement calculation.

**Flexible budget**

A [budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) that shows how costs vary with different rates of output or at different levels of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) and projects revenue based on these different output levels.

**Flexible expenses**

[Expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) for an individual or [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that can be adjusted or completely dispessed with, e.g., luxury goods.

**Flexible mutual fund**

Fund that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a variety of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in varying proportions in order to maximize [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) while maintaining a low level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Flight to quality**

The tendency of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to move toward safer [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) (often [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond)) during periods of high economic uncertainty.

**Flip-flop note**

[Note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) that allows [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to switch between two different types of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Flip side**

In the context of general equities, opposite side to a proposition or [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) (buy, if sell is the proposition and vice versa).

**Flipping**

Buying [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in an [initial public offering (IPO)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering), and then selling the shares immediately after the start of [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to turn an immediate [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Float**

[Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency): [Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) policy that does not limit the range of the market rate.  
[Equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity): Number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that are [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) and available for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), excluding [insiders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) or [restricted stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_stock) on a [when-issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#when_issued) basis. A stock's [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) is inversely correlated to its float.

**Floater**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) varies with the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) of another [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument), e.g., a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that has the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) of the [Treasury bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) +.25%.

**Floating debt**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that is renewed and refinanced constantly to fund [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) needs of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or institution.

**Floating exchange rate**

A country's decision to allow its [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) value to change freely. The currency is not constrained by [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) intervention and does not have to maintain its relationship with another currency in a narrow band. The currency value is determined by [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) market.

**Floating exchange rate system**

Purchase or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of the [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of other nations by a central bank for the purpose of influencing foreign exchange rates or maintaining orderly foreign exchange markets. Also called foreign-exchange market intervention.

**Floating lien**

General attachment against a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or against a particular [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Floating Rate**

[Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that is reset periodically, usually every couple of months or sometimes daily.

**Floating-rate contract**

An guaranteed investment instrument whose [interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) is tied to some [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) ([floating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float)) [interest rate benchmark,](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark_interest_rate) such as a specific-[maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Floating-rate note (FRN)**

[Note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) whose [interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) varies with [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Floating-rate payer**

In an [interest rate swap,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) the [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) who pays a rate based on a [reference rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reference_rate), usually in exchange for a fixed-rate payment.

**Floating-rate preferred**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) paying [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that vary with [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Floating securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) bought in a [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) name and resold quickly to attain a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) in a short amount of time.

**Floating supply**

The aggregate of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) believed to be available for immediate purchase, that is, in the hands of [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) wanting to sell.

**Floor**

The area of a stock exchange where [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) occurs. Also the price at which a [stop order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) is activated (when the price [drops](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) low enough to activate such an order). In context of [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), a level which an interest rate or [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) is structured not to go below.

**Floorless Convertible**

Used by companies that are in such bad shape, that there is no other way to get financing. This instrument is similar to a convertible bond, but convertible at a discount to the share price at issuance and for a fixed dollar amount rather than a specific number of shares. The further the stock falls, the more shares you get. Popular in the mid to late 1990s. Also known as toxic convertibles or death spiral convertibles.

**Floor broker**

Member of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) who is an employee of a [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) and [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor)exchange for clients.

**Floor official**

An employee of a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) who settles disputes related to the [auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auction_markets) process on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Floor picture**

Details of the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading) for a stock, such as the major [players,](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#player) their sizes, and the [outside market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outside_market) +/- an eighth.

**Floor planning**

Arrangement used to finance [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory). A [finance company](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance_company) buys the inventory, which is then held in [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) for the user.

**Floor ticket**

Summary of a stock or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [order ticket](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_ticket) by the [registered representative](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_representative) on receipt of a buy or sell [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) from a client; gives the [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) the information needed to [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Floor trader**

A [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) [member](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#membership_or_a_seat_on_the_exchange) who generally [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) only for his own account or for an account controlled by him, or who has such a trade made for him. Also referred to as a "[local](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#local)."

**Force Majeure**

Events outside the control of the parties. These events are acts of man, nature, governments and regulators, or impersonal events. [Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) performance is forgiven or extended by the period of force majeure.

**Flotation (rotation) cost**

The costs associated with creating [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) through the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of new [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), including the [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) earned by the [investment banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) plus legal, accounting and printing [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**Flow of funds**

In the context of [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), refers to the statement displaying the priorities by which municipal revenue will be applied to the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

In the context of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), refers to the movement of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) into or out of a [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) or between or among various fund [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector).

**Flow-through basis**

An account for an investment [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to show all [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) benefits of the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) in the year of [acquisition,](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) rather than [spreading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) them over the life of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Flow-through method**

The practice of reporting to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) using [straight-line depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straight_line_depreciation) but using [accelerated depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accelerated_depreciation) for tax purposes and "[flowing through](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flow_through_method)" the lower [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) actually paid to [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) prepared for shareholders.

**Flower bond**

[Government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) that when owned at the time of death are acceptable at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) in payment of federal [estate taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax).

**Fluctuation**

A price or [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) change.

**Fluctuation limit**

The limit created by the [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) that halts [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) if the price of the [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) changes, in either direction, more than a previously set amount.

**Flurry**

A drastic [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) increase in a specific [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Focus list**

Used in the context of general equities. [Investment banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) published list of buy and sell recommendations from its [research department](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#research_department); signified by a flashing "F" on Quotron.

**Footsie (FTSE)**

[Financial Times (FT)-Actuaries 100](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_times_actuaries_indices) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index): "[Dow average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average)" of London.

**For/At**

Used in the context of general equities. Conjunctions used in an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) summary, or [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) recap that signify a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), respectively. See: [On](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on).

**For a number**

Used in the context of general equities. Implies that the quantity mentioned is not his [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) but instead is only approximate, and to [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) him up more will [obligate](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) one to participate.

**For your information (FYI)**

A prefix to a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) price indicating that the quote is for information purposes only, and not an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Forbes 500**

Forbes magazine's list of the largest [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) owned [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) in the United States according to [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit), and [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Force majeure risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that there will be prolonged interruption of operations for a [project finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#project_financing) [enterprise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#enterprise) due to fire, flood, storm, or some other factor beyond the control of the project's [sponsors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sponsor).

**Forced conversion**

Occurs when a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) is called in by the [issuer,](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) usually when the underlying stock is selling well above the [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price). The issuer thus assures the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) will be [retired](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) without requiring any cash payment. Upon conversion into [common,](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) the [carrying value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carrying_value) of the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) becomes part of a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), thus strengthening the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) and enhancing future [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) capability.

**Forecasting**

Making projections about future performance on the basis of historical and current conditions data.

**Foreclosure**

Process by which the holder of a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) seizes the property of a homeowner who has not made [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and/or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments on time as stipulated in the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) contract.

**Foreign banking market**

That portion of domestic bank [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) supplied to foreigners for use abroad.

**Foreign base company income**

A category of [Subpart F](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subpart_f) income that includes foreign [holding company](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company) income and foreign base company [saless](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [service income](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_service_income).

**Foreign bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) on the [domestic capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) of another [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Foreign bond market**

In the [domestic bond market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) [Issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [floated](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) by foreign companies or government.

**Foreign branch**

A foreign [affiliate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) that is legally a part of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company). According to the U.S. tax code, foreign branch income is taxed as it is earned in the foreign country.

**Foreign corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) conducting business in another country from the one it is [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) in and that abides by the laws of another country. See: [Alien corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alien_corporation).

**Foreign Corrupt Practices Act**

An amendment to the [Securities Exchange Act](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_exchange_act_of_1934) created to sanction bribery of foreign officials by [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) held US companies.

**Foreign Credit Insurance Association (FCIA)**

A private consortium of US insurance companies that offers [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) to US exporters in conjunction with the US [Export-Import Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank).

**Foreign crowd**

[NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) members who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in foreign [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor).

**Foreign currency**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) of another country from one's own.

**Foreign currency forward contract**

Agreement that obligates its parties to exchange given quantities of[currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at a prespecified [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) on a certain future date.

**Foreign currency futures contract**

Standardized and easily [transferable](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) between two parties to exchange [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at a specified rate during a specified [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) month; standardized [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) on specified underlying currencies, in multiples of standard amounts. Purchased and [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a [regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) on which [margins](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) are [posted](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#post).

**Foreign currency option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that conveys the right (but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation)) to buy or sell a specified amount of foreign currency at a specified price within a specified time period.

**Foreign currency translation**

The process of restating [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) accounts of [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) into the [reporting currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reporting_currency) of the parent company in order to prepare consolidated [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Foreign direct investment (FDI)**

The [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) abroad of [physical assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_asset) such as [plant](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plant) and equipment, with operating [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) residing in the [parent corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Foreign equity market**

[Issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [floated](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) by foreign companies in the [domestic equity market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market).

**Foreign exchange**

[Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of another country. Abbreviated [Forex](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forex).

**Foreign exchange broker**

[Intermediaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) in the [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) market that do not put their own [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) at [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Foreign exchange controls**

Various forms of [controls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) imposed by a government on the purchase/[sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) by residents or on the purchase/sale of local currency by nonresidents.

**Foreign exchange dealer**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or individual that buys [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) from one party and then sells it to another party. The [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) makes the difference between the buying and selling [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices), or the [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Foreign exchange market**

Largely banks that serve [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) and consumers who may wish to buy or sell various [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Foreign exchange rate**

The rate of one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) expressed in terms of another.

**Foreign exchange risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) might have to be [closed out](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_out) at a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) due to an adverse movement in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Foreign exchange swap**

An agreement to exchange stipulated amounts of one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) for another currency at one or more future dates.

**Foreign holdings**

The percentage of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) represented by [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [American Depository Receipts (ADRs)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) of companies based outside the United States.

**Foreign investment risk matrix (FIRM)**

Graph that displays [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_risk) and [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk) by intervals on which countries may be compared according to [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings).

**Foreign official institutions**

Central governments of foreign countries, including all departments and agencies of national governments; [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank), exchange authorities, and all fiscal agents of foreign national governments that undertake activities similar to those of a [treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury), central bank, or stabilization fund; diplomatic and consular establishments of foreign national governments; and any international or regional organization, including [subordinate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated) and [affiliate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency), created by treaty or convention between sovereign states.

**Foreign market**

Part of a nation's [internal market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_market), representing the mechanisms for [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of entities domiciled outside that nation. Compare [external market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_market) and [domestic market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market).

**Foreign market beta**

A measure of [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that is derived from the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Foreign public borrower**

[Foreign official institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_official_institutions); the [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) of foreign central governments, including development banks and institutions, and other agencies that are majority owned by the central government or its departments; and state, provincial and local governments of foreign countries and their departments and agencies.

**Foreign Sales Corporation (FSC)**

A special type of [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) created by the [Tax Reform Act of 1984](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_reform_act_of_1984) that is designed to provide a tax incentive for exporting U.S.-produced goods.

**Foreign-source income**

Income earned from international operations.

**Foreign-targeted issue**

[Notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) sold between October 1984 and February 1986 to foreign institutions, foreign [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [branches](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#branch) of US institutions, foreign [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) or monetary authorities, and to international organizations in which the United States held membership. Sold as companion [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), they could be converted to domestic (normal) [Treasury notes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_notes) with the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) and [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). Interest was paid [annually](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing).

**Foreign tax credit**

Home country [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) against domestic income tax. Received in return for foreign taxes paid on foreign derived [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Foreigner**

All institutions and individuals living outside the United States, including US citizens living abroad, and [branches](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#branch), [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), and other [affiliates](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) abroad of US banks and business concerns; also central governments, [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank), and other official institutions of countries other than the United States, and international and regional organizations, wherever located. Also refers to persons in the United States to the extent that they are known by reporting institutions to be acting for foreigners.

**Forex**

See: [Foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange)

**Forfaiter**

Purchaser of promises to pay [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by importers.

**Forfaiter (Primary)**

An individual or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) entity that arranges a forfaiting [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) directly with an exporter and then holds or sells on the payment [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the importer/ guarantor.

**Forfaiter (Secondary)**

An individual or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) entity that buys or sells the payment [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the importer/ guarantor.

**Forfaiting**

A form of [factoring](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factoring) that involves selling large, medium to [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) to buyers ([forfaiters](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forfaiter)) who are willing and able to bear the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and [collections](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection).

**Forfeiting**

Method of [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) international trade of [capital goods](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_goods).

**Forfeiture**

The loss of rights to an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) outlined in a legal [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) if a party fails to fulfill [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the contract.

**Form 8-K**

The form required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) when a [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) held [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) incurs any event that might affect its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) situation or the [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) value of its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Form 4**

The form required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) for a change in the [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of an individual owning 10% or more of the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or in the holdings of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) officer.

**Form S-3**

A shorter form of registration statement than the Form S-1 that can be used by certain already-[public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) companies to sell additional shares. It is also the form most often used to cover resales of [restricted securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_securities) by selling stockholders.

**Form S-8**

A very brief form of registration statement filed with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.), registers [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to be issued under a stock plan.

**Form T**

The form required by the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) to report [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) after the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) regular hours.

**Form 10-K**

A report required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) from exchange-[listed companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) that provides for [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) of certain [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) information.

**Form 3**

A form required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) from all holders of 10% or more of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) stock and all directors and officers, which details [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) owned.

**Formula basis**

A method of selling a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) in which the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) declares the [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) effective on the basis of a price formula rather than on a specific [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range).

**Formula investing**

A [formula-based](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#formula_basis) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) technique in which [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) decisions are made using predetermined [timing](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#timing) or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) allocation models, e.g., [dollar cost averaging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_cost_averaging).

**Fortune 500**

Fortune magazine's listing of the top 500 US [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) determined by an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of 12 [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**48-hour rule**

PSA [Uniform Practices](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uniform_practice_code) requirement that all [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) information in a [to be announced (TBA)](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#t.b.a.) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) be communicated by the seller to the buyer before 3 p.m. EST on the business day 48 hours prior to the agreed-upon [trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date).

**Forward**

See: [Forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract)

**Forward averaging**

A method of calculating taxes on a [lump sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from a [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan) that enables the tax payer to pay less than the current [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate).

**Forward contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that specifies the price and quantity of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to be delivered on in the future. Forward contracts are not standardized and are not [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on [organized exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange).

**Forward cover**

The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) in the [cash market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_markets) of the difference between what you are [obligated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver) in a forward contract and the amount of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) you own. For example, if you agreed to sell 100,000 bushels of corn in September in a forward contract, but you only have 60,000, you need to purchase 40,000 to cover your [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Forward currency contract**

An agreement to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a country's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at a specific price, usually 30, 60, or 90 days in the future. This guarantees an [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) on a given date.

**Forward delivery**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) will occur on a specified date in the future at a price agreed upon on the [trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date).

**Forward differential**

[Annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) percentage difference between [spot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) and [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate).

**Forward discount**

A [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a [forward discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_discount) when its [forward price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_pricing) is lower than its [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price).

**Forward exchange**

A type of foreign exchange [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) whereby a contract is made to exchange one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) for another at a fixed date in the future at a specified exchange rate. By buying or selling forward exchange, business protect themselves against a decrease in the value of a currency they plan to sell at a future date.

**Forward exchange rate**

[Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) fixed today for exchanging [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at some future date.

**Forward exchange transaction**

[Foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) purchase or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) at the current [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) but with payment or [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the foreign currency at a future date.

**Forward Fed funds**

[Fed funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Forward foreign exchange contract**

Agreement that [obligates](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to deliver a specified quantity of one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in return for a specified amount of another currency.

**Forward foreign exchange rate**

The [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) available today to exchange [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at some specified date in the future.

**Forward forward contract**

In [Eurocurrencies,](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) under which a deposit of fixed [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) is agreed to at a fixed price for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Forward interest rate**

[Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) fixed today on a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to be made at some future date.

**Forward-looking multiple**

A truncated expression for a [P/E ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio) that is based on [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward) (expected) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) rather than on trailing [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Forward market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which participants agree to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) some [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), or [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) at a fixed price for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Forward parity**

Notion that the [forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) is an unbiased predictor of future [spot exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_exchange_rates).

**Forward premium**

A [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a forward [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) when its [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward) price is higher than its [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price).

**Forward pricing**

Practice mandated by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) that open-end [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) establish all incoming [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) on the next [net asset valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) of fund [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Forward rate**

A projection of future [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) calculated from either [spot rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) or the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve).

**Forward rate agreement (FRA)**

Agreement to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) at a specified future date at an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that is [fixed today](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan).

**Forward sale**

A method for [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) price [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that involves an agreement between a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to sell particular kinds of [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) at a specified price and future time.

**Forward trade**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) for which [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) will occur on a specified date in the future at a price agreed upon on the [trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date).

**Forwarder**

Acts as a travel agent for cargo. A forwarder specializes in arranging the transport and completing required shipping documentation. Some are affiliated with [NVOCC](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonvessel_operating_common_carriers) services. In the United States they are licensed by the Federal Maritime Commission.

**Foul Bill of Lading**

A [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) that contains a notation indicating damage or shortage. Also called [claused](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#claused_bill_of_lading) and are the opposite of [clean bills of lading.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean_bill_of_lading)

**401(K)**

Under section 401(K) of the Internal Revenue Code, a deferred compensation plan set up by an employer so that employees can set aside [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) for retirement on a pre-tax basis. Employers may match a percentage of the amount that employees contribute to the plan. Contributions by both employees and employersn as well as investment earnings and interest, are not taxed until the employee withdraws the money; if the employee withdraws the money before retirement age, he or she pays an early withdrawal penalty tax. Currently, employees are allowed to [annually](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) contribute up to 15 percent of their salary but no more than $11,000 ($12,000 for people 50 or older). Many employers now offer these deferred compensation plans in lieu of or in addition to pensions.

**Fourth market**

Refers to the practice of [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) large [blocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) directly to avoid brokerage [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission). See: [Instinet](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instinet).

**Fractal**

An object in which the parts are in some way related to the whole. That is, the individual components are "[self-similar](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_similar)." An example is the branching network in a tree. While each branch, and each successive smaller branching is different, they are qualitatively similar to the structure of the whole tree.

**Fractal Dimension**

A number that quantitatively describes how an object fills its space. In [Euclidean](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euclidean_geometry), or Plane geometry, objects are solid and continuous. That is, they have no holes or gaps. As such, they have integer dimensions. [Fractals](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal) are rough and often discontinuous, like a wiffle ball, and so have fractional, or [fractal dimensions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension).

**Fractal Distribution**

A [probability density function](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_density_function) that is statistically [self-similar](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_similar). That is, in different increments of time, the statistical characteristics remain the same.

**Fractal Market Hypothesis**

The [fractal market hypothesis](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_market_hypothesis) states that (1) a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) consists of many [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with different investment horizons, and (2) the information set that is important to each investment horizon is different. As long as the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) maintains this [fractal](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal) structure, with no characteristic time scale, the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) remains stable. When the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) investment horizon becomes uniform, the market becomes unstable because everyone is trading based upon the same information set. Theory due to Ed Peters.

**Fractional Brownian Motion**

A biased [random walk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_walk). Unlike Standard Brownian Motion, the odds are biased in one direction or the other. It is like playing with loaded dice.

**Fractional coins**

Metal [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) minted in [denominations](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) of 50, 25, and 10 cents, and minor coins (5 cents and 1 cent).

**Fractional discretion order**

A type of [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that gives the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) discretion to alter the price, up or down, within a specific [fractional](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal) [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) in order to guarantee an [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Fractional Noise**

A [noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noise) which is not completely independent of previous values. See [Fractional Brownian Motion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractional_brownian_motion), [1/f Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#1_f_noise), [White Noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_noise).

**Fractional share**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) amounting to less than one full [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), usually resulting from [splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split), [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition), [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), or [dividend reinvestment programs](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_reinvestment_plan).

**Franchise agreement**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) by which a domestic [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) ([franchisor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#franchising)) [licenses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#license_agreement) its trade name and/or business system and practices for a fee to an independent company (franchisee) in a [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market).

**Franchising**

Provision of a specialized [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or service strategy, support assistance, and possibly an initial [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in the franchise in exchange for periodic fees.

**Frankfurt Stock Exchange**

The largest of Germany's eight [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), operated by Deutsche Borse AS.

**Freddie Mac (Federal Home Loan Mortgage Corporation)**

A Congressionally [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that purchases [residential mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residential_mortgage) in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) from [S&Ls](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association), banks, and mortgage bankers and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securitization) for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) in the [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**Free Alongside Ship (FAS)**

An [Incoterm (FAS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fas) that means the seller is responsible for the cost of transporting and delivering goods alongside a vessel in a port in his or her country. Since the buyer has responsibility for export clearance under FAS, it is not a practical Incoterm for U.S. exports. FAS should be used only for ocean shipments since risk and responsibility shift from seller to buyer when the goods are placed within the reach of the ship's tackle (crane).

**Free on board (FOB)**

Implies that [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) services like transport and handling performed on goods up to the customs frontier (of the economy from which the goods are classed as merchandise.) are included in the price.

**Free box**

A bank vault or other suitable storage place for the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) customer.

**Free Carrier (FCA)**

An Incoterm meaning that the cost, risk and responsibility shift from the seller to the buyer when the goods are turned over to a carrier at a designated place.

**Free cash flows**

[Cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) not required for operations or for [reinvestment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment). Often defined as [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) (often obtained from the operating income line on the [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement)) less [capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures) less the change in [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital). In terms of a formula:  
  
Free cash flows =  
  
[Sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) (Revenues from operations)  
- COGS (Cost of goods sold-labor, material, book depreciation)  
- SG&A (Selling, general administrative costs)  
EBIT (Earnings before interest and taxes or Operating Earnings)  
- Taxes (Cash taxes)  
EBIAT (Earnings before interest after taxes)  
+ DEP (Book depreciation)  
- CAPX ([Capital expenditures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_expenditures))  
- ChgWC (Change in working capital)  
C (Free cash flows)  
  
There is an issue as to whether you want to define the FCFs to the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) as a whole (the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) to all of its [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) holders), or the FCFs only to the firm's equity holders. For firm [valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#valuation), you want the former; for [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) valuation you want the latter.   
To value the firm, calculate the stream of FCFs to the firm and discount this stream by the firm's WACC ([Weighted average cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_cost_of_capital)). This will give you the value of a [levered](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) firm, including the tax benefits of debt [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance). Alternatively, you can discount the firm's FCFs by its unlevered [cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital) and add separately the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the tax benefits.   
To value the firm's equity, you can either take the above number and subtract the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of all [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) ([liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability)) or you can calculate the FCFs to the firm's equity holders and discount this stream by the firm's levered equity cost of capital.   
Notice that changes in [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) have the same effect on free cash flows as do changes in [physical capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_asset), i.e., capital expenditures. For example, suppose you had to spend $XX to increase the capacity of your plant. This expenditure would be a reduction in free cash flow in the year it was made. Likewise, if you had to increase the level of your [cash balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_cash_balance), inventory or receivables by $XX to accommodate greater [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), then this too would result in a like reduction in free cash flows in the year the level of working capital was increased. [Definition and discussion courtesy of Professor Michael Bradley.]

**Free delivery**

[Securities industry](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_industry_association) procedure whereby [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sold is made to the buying customer's bank without requiring immediate payment; thus a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) agreement of sorts. Antithesis of delivery vs. payment.

**Free float**

An [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) system characterized by the absence of government intervention. Also known as [clean](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear) float.

**Free of Particular Average**

[Marine cargo insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marine_cargo_insurance) that does not cover partial losses or partial damage unless caused by the vessel being sunk, stranded, burned, on fire, or in a collision.

**Free Indices**

Usually refers to indices constructed by Morgan Stanley Capital International such that the market capitalization weights reflect the degree to which a stock is investible by foreigners. For example, if a stock has $700 million capitalization but government restrictions only allow up to 50% to be held by foreigners, then the weight in the Free index would by $350 million. The Standard and Poors/International Finance Corporation indices call their equivalent indices Investible Indices (IFCI).

**Free reserves**

[Excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves) minus [member bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) [borrowings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) at the [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Free rider**

A follower who avoids the cost and expense of finding the best course of action simply by mimicking the behavior of a leader who made these [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Free-riding**

A forbidden practice in which the member of an [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate) retains a portion of an [initial public offering (IPO)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) and resells the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a higher price determined by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) at a later time.

Also forbidden is a brokerage customer's rapid buying and selling of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) without putting up [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) for the purchase.

**Free right of exchange**

An [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) right to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from one name to another name without paying charges that accompany a [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Free stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is paid for in full and is not [pledged](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pledging) in any way as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral).

**Free to trade**

Used in the context of general equities. Not subject to any internal ([restricted](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted) list) or external restrictions on [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade); hence, the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) is free to solicit interest.

**Freed up**

A term used to indicate that an [underwriting syndicate's](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate) members are no longer restricted to the fixed price agreed upon in the [agreement among underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agreement_among_underwriters) and are permitted to trade the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on a free [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis).

**Freely floating exchange rate system**

[Monetary system](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_system) in which [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) are allowed to move due to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) forces without intervention by country governments.

**Freeze out**

The action of pressurizing [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) with relatively minor amounts of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to sell their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) after a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Freight**

A transportation term meaning either goods being transported, and/or charges incurred for such transport.

**Freight Forwarder**

See: [forwarder](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forwarder).

**Freight shippers**

[Agents](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) who coordinate the logistics of transportation.

**FREIT**

See: [Finite-Life Real Estate Investment Trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finite_life_real_estate_investment_trust)

**Frequency distribution**

The organization of data to show how often certain values or ranges of values occur.

**Fresh picture**

Updated estimation of a stock or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), usually following recent [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity or news that has changed the previous [look](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#look).

**Fresh signal**

Piece of information ([fundamental](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_analysis) or [technical](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts)) leading one to believe a stock will move in a certain manner.

**Friction costs**

Costs, both implied and direct, associated with a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). Such costs include time, effort, [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money), and associated tax effects of gathering information and making a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs).

**Frictional cost**

The difference between an [index fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_fund) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) it represents. The typically lower rate of [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) from the fund results from [transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs).

**Frictionless market**

Ideal [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) environment that imposes no costs or restraints on [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Frictions**

The "stickiness" involved in making [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs); the total process including time, effort, [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money), and tax effects of gathering information and making a transaction such as buying a stock or [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Friendly Merger**

A business combination that the management of both [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) believes will be beneficial to [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder).

**Friendly takeover**

[Merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) when the [target firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) management and [board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) is in favor of the [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover). Antithesis of [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover).

**Front-end load**

The fee applied to an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) at the time of initial purchase, e.g., on a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) purchased from a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) company.

**Front fee**

The fee initially paid by the buyer upon entering a [split-fee option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split_fee_option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Front office**

Refers to revenue generating [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) personnel in a brokerage, [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), or other [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) services operation.

**Front running**

Entering into an equity trade, [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) with advance knowledge of a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that will influence the price of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) to [capitalize](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) on the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). This practice is expressly forbidden by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.). Traders are not allowed to act on nonpublic information to trade ahead of customers lacking that knowledge.

**Frozen account**

A disciplinary action taken by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) for some violation of [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t), an individual [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) cannot sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) until they are paid for in full and [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) delivered.

**Fry a bigger fish**

Used in the context of general equities. Work on a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of larger size than a trade just [disclosed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure).

**Full**

[Handle](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#handle).

**Full compensation**

Payment for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of goods to one party by buying back more than 100 % of the value that was originally sold.

**Full coupon bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) equal to the going [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) rate; the bond is therefore selling at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Full disclosure**

Describes [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and government [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) providing for the release and free exchange of all information pertinent to a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Full Employment and Balance Growth Act of 1978(Humphrey-Hawkins Act)**

Federal legislation that, among other things, specifies the primary objectives of U.S. economic policy-maximum employment, stable prices, and moderate [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) interest rates.

**Full faith-and-credit obligations**

The [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) pledges for larger [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issuers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer), such as states and large cities that have diverse funding sources.

**Full-payout lease**

See: [Financial lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_lease)

**Full price**

Also called [dirty price;](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dirty_price) the price of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) including [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). Related: [Flat price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flat_price).

**Full recourse**

No matter what [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) event occurs, the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or its guarantors [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) to repay the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). This is not a project financing unless the borrower's sole [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is the project.

**Full-service broker**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who provides clients an all-inclusive selection of services such as advice on [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) selection and [financial planning](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_planning).

**Full-service lease**

Also called [rental lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rental_lease). Arrangement in which [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) promises to maintain and insure the equipment leased.

**Full Set of Bills of Lading**

All originals of an ocean bill of lading.

**Full trading authorization**

Indication that a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) with a [discretionary account](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discretionary_account) can operate free of all [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) guidelines from the client.

**Fully depreciated**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that has already been charged with the maximum amount of depreciation allowed by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) for accounting purposes.

**Fully diluted earnings per shares**

[Earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) expressed as if all [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) and [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) have been [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Fully distributed**

A new [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that has been completely resold to the [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and is no longer held by [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Fully invested**

Used to describe an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) whose [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are totally committed to [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), typically [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Fully modified pass-throughs**

[Agency pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_pass_throughs) that guarantee the timely payment of both [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal). Related: [Modified pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modified_pass_throughs).

**Fully valued**

Used in the context of general equities. Said of a stock that has reached a price at which [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) think the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [fundamental](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_analysis) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) power has been fully recognized by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Functional currency**

As defined by [FASB No. 52](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fasb_no._52), an [affiliate's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) [functional currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#functional_currency) is the currency of the primary economic environment in which the affiliate generates and expends [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Fund assets**

The total value of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), cash, and other holdings, [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) any [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Fund family**

Set of [funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) with different [investment objectives](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_objective) offered by one [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). In many cases, [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) may move their [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) from one fund to another within the family at little or no cost.

**Fund of funds**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) or [hedge fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in other funds.

**Fund manager**

The person whose responsibility it is to oversee the allocation of the [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a particular [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund). The fund manager is charged with investing the money to attain the [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of the [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Fund switching**

Moving [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) within a mutual [fund family](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fund_family) from one [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) to another.

**Fun money**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) that can be used to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with high potential [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Fundamental analysis**

[Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) analysis that seeks to detect misvalued [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) through an analysis of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) business prospects. Research often focuses on [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) prospects, expectations for future [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) evaluation of the firm. Antithesis of [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis). In macroeconomic analysis, information such as [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), [GNP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_national_product), [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation), [unemployment](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unemployment_rate), and inventories is used to predict the direction of the economy, and therefore the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market). In [microeconomic](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#microeconomics) analysis, information such as [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet), [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement), products, [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management), and other [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) items is used to [forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) imminent success or [failure](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_failure), and hence the future price action of the stock.

**Fundamental beta**

The product of a statistical model to predict the fundamental [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) using not only price data but also other [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market)-related and [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) data.

**Fundamental descriptors**

In the model for calculating [fundamental beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_beta), ratios in [risk indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_indexes) other than market variability, which rely on [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) data other than price data.

**Fundamental forecasting**

Analyzing the future on the basis of fundamental relationships between economic [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) and [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Fundamental Information**

Information relating to the economic state of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or economy. In [market analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_analysis), fundamental information is related to the [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) prospects of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) only.

**Funded debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) after more than one year.

**Funded Liability**

A source of funds that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) must take overt action to arrange and that carries an [interest cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_interest_cost).

**Funded pension plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) in which all [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), including payments to be made to pensioners in the immediate future, are completely funded.

**Funding**

Used to describe the [refinancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refinancing) of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) prior to its [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) (the same as [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding)). In [corporate finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_finance) refers to the [floating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to raise finance and levels of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital). See also: [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding).

**Funding ratio**

The ratio of a [pension plan's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to its [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Funding risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the impact on a project's [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from higher funding [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) or lack of availability of funds. See: [interest rate risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_risk).

**Funds From Operations (FFO)**

Used by [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) and other [investment trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_trust) to define the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) operations; [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) with [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) and [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) added back. A similar term increasingly used is funds available for distribution (FAD), which is FFO less [capital investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) in trust property and the [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) of mortgages.

**Fungibility**

The substitutability of [listed options](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_option), which is dependent upon their common [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) and [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price). The congruence of expiration dates and strike prices lets [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) close [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) by [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) through the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [clearing corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_corporations).

**Furthest month**

Used in the context of [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to refer to the month that is away from the [contract's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) date of settlement.

**FUTOP**

The Danish derivatives market, merged with the [Copenhagen Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#copenhagen_stock_exchange) in 1997.

**Future**

A term used to designate all [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) covering the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity) for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Future investment opportunities**

The identification of additional, more valuable, [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) opportunities in the future that result from a current opportunity or operation.

**Futures**

A term used to designate all [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) covering the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity) for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Futures commission merchant (FCM)**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or person engaged in soliciting or accepting and handling [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for the purchase or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), subject to the rules of a futures exchange and, who, in connection with such solicitation or [acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance) of orders, accepts any [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to provide [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) for any resulting [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) or [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). The FCM must be licensed by the [CFTC](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.f.t.c.). Related: [Commission house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission_house), [omnibus account](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#omnibus_account).

**Futures contract**

A legally binding agreement to buy or sell a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) instrument in a designated future month at a price agreed upon today by the buyer and seller. Futures contracts are standardized according to the quality, quantity, and delivery time and location for each commodity. A futures contract differs from an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) because an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is the right to buy or sell, while a futures contract is the promise to actually make a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). A future is part of a [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [securities called derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_security), so named because such [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) derive their value from the worth of an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) investment.

**Futures contract multiple**

A constant set by an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), which when multiplied by the [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price) gives the dollar value of a [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Futures market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) where [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for future [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are bought or sold.

**Futures option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Related: [Options on physicals](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_on_physicals).

**Futures price**

The price at which parties to a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) agree to transact upon the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date).

**Future value**

The amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) at a specified date in the future that is equivalent in value to a specified sum today.

**Fuzzy Logic**

A system which mathematically models complex relationships which are usually handled in a vague manner by language. Under the title of "Fuzzy Logic" falls formal fuzzy logic (a multi-valued form of logic), and fuzzy sets. Fuzzy sets measure the similarity between an object and a group of objects. A member of a fuzzy set can belong to both the set, and its compliment. Fuzzy sets can more closely approximate human reasoning than traditional "crisp" sets. See: [Crisp sets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crisp_sets).

**FVO (for valuation only)**

See: [For your information](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#for_your_information)

**G**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the issue is the first convertible bond of the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**GA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GABON.

**GAAP**

See: [Generally Accepted Accounting Principles](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#generally_accepted_accounting_principals)

**GB**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UNITED KINGDOM.

**GBP**

Pound Sterling currency

**GBP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the United Kingdom Pound.

**GD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GRENADA.

**GDP**

See: [Gross Domestic Product](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_domestic_product)

**GDR**

See: [Global Depositary Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#global_depositary_receipt)

**GE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GEORGIA.

**GF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FRENCH GUIANA.

**GH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GHANA.

**GI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GIBRALTAR.

**GIC**

See: [Guaranteed Investment Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guaranteed_investment_contract)

**GL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GREENLAND.

**GNP**

See: [Gross National Product](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_national_product)

**GM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GAMBIA.

**GMC**

See: [Guaranteed Mortgage Certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guaranteed_mortgage_certificate)

**GN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GUINEA.

**GP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GUADELOUPE.

**GPM**

See: [Graduated Payment Mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#graduated_payment_mortgages)

**GQ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for EQUATORIAL GUINEA.

**GR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GREECE.

**GS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SOUTH GEORGIA AND THE SOUTH SANDWICH ISLANDS.

**GT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GUATEMALA.

**GTC**

See: [Good 'til cancelled order](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_til_cancelled)

**GU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GUAM.

**GW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for GUINEA-BISSAU.

**GY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for the for GUYANA.

**Gadfly**

A nickname for a "professional" securityholder who owns [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in various [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), attends annual meetings and asks senior [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) hard and often embarrassing questions.

**Gaijin**

Japanese term used to describe a non-Japanese [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in Japan (outside person). A more polite version of the same word is gaikokujin which means outside country person.

**Gain**

A [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) recognized by selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for more than the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) originally [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). The gain is the difference between the cost and the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Gamma**

The ratio of a change in the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) to a small change in the price of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on which the option is [written](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#write).

**Gap**

[Financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) that is required, but for which no provision has been made. The difference in [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) [funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funding) needed for a proposal and the amount of funding already made available.

**Gap opening**

In the context of general equities, [opening price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening_price) that is substantially higher or lower than the previous day's [closing price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close), usually because of some extraordinarily positive or negative news.

**Garage**

The [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.), which is situated on the north side of the main [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor).

**Garbatrage**

Rising [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices and increased [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) activity in an entire [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) caused by a psychology change stemming from a major [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) involving two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in the [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector). [Speculators](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) feel other takeovers are likely in the [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector). See: [Rumortrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rumortrage).

**Garman-Kohlhagen option pricing model**

A model widely used to price [foreign currency options](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_option).

**Gather in the stops**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) sell [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to drive prices to a level that breaks through [stop orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) known to exist. Once the price is low enough, the [stop orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) become [market orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) and are [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), to create [snowballing](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#snowballing).

**Gaussian**

A system whose probabilities are well described by the [normal distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standardized_normal_distribution), or bell shaped curve.

**GDP implicit price deflator**

An economic technique used to account for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) by comparing the current-dollar [gross domestic product GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_domestic_product) to >constant-dollar [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_domestic_product) as a ratio. The ratio accounts for price changes of goods and services that make up GDP and changes in the composite of GDP.

**Gearing**

[Financial leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage).

**GEM (growing equity mortgage)**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) in which annual increases in monthly payments are used to reduce [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and to shorten the term of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**General Average**

Provision in maritime law where all shippers on a given voyage would reimburse the ship line in the event of vessel sinking or catastrophic damage. It also provides for the reimbursement to those shippers whose cargo was thrown overboard in order to save the vessel.

**General Average Contribution**

The amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) paid by each shipper involved in a [General Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_average).

**General account**

[Federal Reserve Board's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) term for a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) provided to a customer by a brokerage firm. Governed by [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t) of the FED.

**General Agreement on Tariffs and Trade (GATT)**

A treaty adopted by the United Nations aimed at elimination of international [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) barriers between member countries.

**General cash offer**

A [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) made to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) at large.

**Generic credit spread**

Refers to the corporate bond [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) for a particular [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) and expiry. For example, 10-year single A corporates were priced or [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at 130 [basis points](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point) above [Treasuries](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) last night, or said diffrently, 130 is the generic [credit spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_spread) for 10-year single A corporates.

**General ledger**

Accounting records that show all the [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) accounts of a business.

**General lien**

An attachment that gives the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) the right to seize the personal property of a borrower who has not fulfilled the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), but prevents the lender from seizing [real property](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_property).

**General loan and collateral agreement**

The agreement governing the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) against [listed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) from a bank for the purpose of carrying on business and making [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). See: [Broker loan rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker_loan_rate).

**General mortgage**

A type of [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that covers all a borrower's [mortgageable](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) properties, not just one specific property.

**General obligation bonds**

[Municipal](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) secured by the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) pledge of its [full faith, credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_faith_and_credit_obligations), and taxing power.

**General Order**

A penalty imposed on imported goods that are not promptly cleared through customs.

**General partner**

A participant who has [unlimited liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unlimited_liability) for the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership).

**General partnership**

A [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) in which all participants are [general partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_partner).

**General revenue**

The sum of taxes, charges, and miscellaneous income taken in at the state and [local](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#local) level while neglecting overlapping revenue which may be erroneously counted twice.

**Generally Accepted Accounting Principles (GAAP)**

The overall conventions, rules, and procedures that define accepted accounting practice at a particular time in the U.S.

**Generation-skipping transfer or trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in which a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount is placed in a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) on the death of person A and is transferred to A's grandchildren when A's children die. The income from the [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) goes to the children of person A while they survive.

**Generic**

Describes the characteristics and/or experience of the [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) universe of a [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) of [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) type; that is, in contrast to a specific [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) or [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) group, as in a specific [CMO](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Genetic Algorithms**

Models that optimize rules by mimicking the Darwinian Law of survival of the fittest. A set of rules are chosen by those that work the best. The weakest are discarded. In addition, two successful rules can be combined (the equivalent to genetic cross-overs) to produce offspring rules. The offspring can replace the parents, or they will be discarded if less successful than the parents. Mutation is also accomplished by randomly changing elements. Mutation and cross-over occur with low probability, as in nature.

**Geographic risk**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that arises when an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) issues policies concentrated within certain geographic areas, such as the risk of damage from a hurricane or an earthquake.

**Geometric mean return**

Also called the [time-weighted rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_weighted_rate_of_return), a measure of the [compound](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) rate of growth of the initial [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) during the evaluation period, assuming that all [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) are [reinvested](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) in the portfolio. It is computed by taking the geometric average of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [subperiod returns](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subperiod_return).

**Gestation repo**

A [reverse repurchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reverse_repo) agreement between [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer). Under the agreement, the firm sells federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency)-[guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) and simultaneously agrees to repurchase them at a future date at a fixed price.

**Get hit**

Go lower in price, when [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) are [hit](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hit_the_bid), causing those bids to vanish and be replaced by lower ones. [Come in](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#come_in). Antithesis of [on the take](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_the_take).

**Get out**

Used in the context of general equities. Sell [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) ("We could get out big size in Humana.")

**Ghosting**

The illegal practice that one [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) drives a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price higher or lower, while other conspiring firms follow its lead to influence up the price of the stock.

**Gift splitting**

A technique used to avoid a [gift tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gift_tax) in which a large sum of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to be given by two parents to a child is halved and given to the child separately For example, a husband and wife each donate $10,000 to their child rather than one parent donating $20,000.

**Gift tax**

A tax assessed on the giver of a property or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) as a gift. A $10,000 federal gift tax [exemption](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exemption) exists per recipient. See: [Gift splitting](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gift_splitting).

**Gift inter vivos**

A piece of property or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) given from one living person to another.

**Gilt-edged securities**

British and Irish government [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [Blue Chip](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blue_chip_company).

**Gilts**

British and Irish government [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [Blue Chip](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blue_chip_company).

**Ginnie Mae**

See: [Government National Mortgage Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association)

**Ginnie Mae pass-through**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by the [Government National Mortgage Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association) that is backed by a collection of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage), in which the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) receives the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments of participating homeowners.

**Give up**

Used for listed equity [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). (1) Term used in a securities [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) involving three [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), as follows: Broker A, a [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker), [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [buy order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) for broker B (a [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) broker who has too much business at the time to [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) the order). The broker with whom broker A completes the transaction (the [sell-side broker](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_side_analyst)) is broker C. Broker A "gives up" the name of broker B, so that the record shows a transaction between broker B and broker C even though the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is actually executed between broker A and broker C; (2) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) to brokerage houses not participating in a trade. This is a grey area of the law governing reimbursement of a broker for services (e.g., research). See: Directed brokerage.

**Glamor stock**

A popular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) characterized by high [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) growth rate and a price that rise is faster than the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) in a [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) market.

**Global Depositary Receipt**

A [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) denoting ownership of foreign-based [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) which are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in numerous [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) around the world.

**Glass-Steagall Act**

1933 legislation prohibiting commercial banks to own, [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite), or deal in corporate stock and [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds).

**Global bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) designed to qualify for immediate [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in any [domestic](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) and in the Euromarket.

**Global fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that can [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) anywhere in the world, including the U.S.

**Globalization**

Tendency toward a worldwide [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) environment, and the integration of national [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**GNMA-I**

[Mortgage-backed securities (M.B.S.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities)) on which registered [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company) receive separate [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) on each of their [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), usually directly from the servicer of the M.B.S. pool. [GNMA-I](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association) mortgage-backed securities are single-[issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) [pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool).

**GNMA-II**

[Mortgage-backed securities (M.B.S.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities)) on which registered [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company) receive an [aggregate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) from a central paying [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) on all their [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate). [Principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and interest payments are disbursed on the 20th day of the month. [GNMA-II](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association) M.B.S. are backed by [multiple-issuer pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multiple_issuer_pools) or custom pools (one issuer but different [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that may vary within one percentage point). [Multiple-issuer pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multiple_issuer_pools) are known as "[jumbos."](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#jumbo_loan) Jumbo pools are generally longer and offer certain [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) that are more geographically diverse than single-issuer pools. Jumbo pool mortgage [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) may vary within one percentage point.

**GNMA Midget**

A [GNMA](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association) pass-through certificate backed by [fixed-rate mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan) with a 15-year [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). GNMA Midget is a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) term and is not used by GNMA in the formal description of its programs.

**Gnomes**

[Freddie Mac's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) 15-year fixed-rate [pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) under its [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) program.

**Go along**

Used for listed equity [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [Buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell at prices that randomly occur on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor), participating in what [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) and other [players](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#player) will allow.

**Go around**

Describes the N.Y. Federal Reserve Bank's [trading desk](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_desk) practice of communicating with primary [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to establish a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) of [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) on behalf of the [Federal Open Market Committee](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_open_market_committee).

**Goal**

An individual's or institution's [financial objective](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_objectives).

**Godfather offer**

An aggressive [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) technique in that the proposed [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) of the [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is so large that [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) cannot refuse, out of fear of lawsuits or [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) revolt.

**Go-go fund**

A type of [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) in highly aggressive [growth stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock). The fund has high levels of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and potential [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Go to**

Used in the context of general equities. Sell [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) ("we've got 50 IBM to go".).

**Goes**

Used in the context of general equities. (1) [Trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) ("10 IBM goes on at 115 "); see [Print;](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print) (2) indicates a change in the [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) ("Apple goes 3/4 [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)").

**Going ahead**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a personal [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) prior to filling the [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) of his or her clients. Prohibited by the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) rules of fair practice.

**Going away**

The type of [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) purchased by [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) for immediate resale to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), as opposed to purchasing [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), to hold for some amount of time, and then reselling it at a future date.

**Going-concern value**

The value of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to another company or individual in terms of an operating business. The difference between a company's going-concern value and its [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liquidation value](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation_value) is deemed [goodwill](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#goodwill) and plays a major role in [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) and [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition).

**Going long**

The [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) purchase of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) or [speculation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculation) that the price will rise resulting in a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) once the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is sold. See:: [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position). Antithesis of [going short](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#going_short).

**Going out**

Used in the context of general equities. Soliciting/advertising over the [SS1](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#ss1), [NASDSAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.), or [Autex](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex).

**Going private**

When [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) owned [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is replaced with complete [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) ownership by a private group. The firm is [delisted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delisting) on stock [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and can no longer be purchased in the open [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Going public**

When a private [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) first [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). See: [IPO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#i.p.o.).

**Going short**

Selling [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) does not own by [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) from a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). The assumption is that the price will fall. The investor then buys (covers the [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short)) the shares at a lower price than what they were sold for, recognizing the difference as a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Antithesis of [going long](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#going_long).

**Going into the trade**

Used in the context of general equities. 1) Condition of the [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and expectations of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) placement with accounts just prior to taking an order to the exchange [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) for [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution); 2) On the way in. Antithesis of [come out of the trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#come_out_of_the_trade).

**Gold bars**

Bars with a minimum content of 99.5% gold, which may be held by [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) or [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Gold bond**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by gold-mining [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and backed by gold. The [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) make [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) based on the level of gold prices.

**Gold bullion**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment)-grade, pure gold, which may be smelted into [gold coins](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_coins) or [gold bars](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_bars).

**Gold Carry Trade**

A carry trade where you borrow and pay interest in order to buy something else that has higher interest. The gold carry trade works as follows. A central bank loans a bank (sometimes called a bullion bank) some gold. The gold lease rate is usually very low. The bullion bank immediately sells the gold and invests in securities with a higher rate of return, such as government long-term bonds. The carry return is the return on the bonds minus the gold lease rate. However, this trade is risky on two dimensions. First, if the bullion bank invested in long-term bonds and the interest rate goes up, the trade could be unprofitable. More seriously, the bullion bank has effectively sold the gold short. If the loan is called by the Central bank and if gold has risen in value, the bullion bank will have to go into the market and purchase higher priced gold. Indeed, if many banks are short, the unwinding of the gold carry trade could drive the gold price even higher. Related: [Carry Trade.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carry_trade)

**Gold certificate**

[Certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) of an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), that shows proof of ownership of [gold bullion](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_bullion).

**Gold coins**

Coin minted in gold, such as the American Eagle or the Canadian Maple Leaf.

**Gold exchange standard**

A [fixed exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_exchange_rate) system adopted in the [Bretton Woods agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bretton_woods_agreement). It required the U.S. to peg the dollar to gold and other countries to peg their [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to the dollar.

**Gold fixing**

The process of determining the price of gold based on supply and demand forces of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market); which occurs twice daily in London.

**Gold mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that primarily [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in gold-mining [companies'](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Gold standard**

An international monetary system in which [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) are defined in terms of their gold content, and payment imbalances between countries are settled in gold. It was in effect from about 1870 to 1914.

**Goldbug**

[Analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who recommends gold as an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment)/[hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge).

**Golden handcuffs**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that binds a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to a brokerage firm by offering the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) and bonuses, but penalizes the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) if he or she goes to work for another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Golden handshake**

A large payment to a senior employee who is forced into [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) or fired as a result of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) or simular development.

**Golden hello**

A bonus a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) pays to attract an employee from a competing firm.

**Golden parachute**

[Compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) paid to top-level [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) by a [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) if a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) occurs.

**Goldilocks economy**

A term developed in the mid 1990s to describe the positive performance of the economy as "not too hot, not too cold; just right."

**Good delivery**

A [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) in which everything - order-endorsement, any necessary attached legal papers.

**Good delivery and settlement procedures**

Refers to PSA Uniform Practices such as cutoff times on [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and notification, allocation, and proper endorsement.

**Good faith deposit**

Used in the context of [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity). Refers to the initial [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) deposit needed when [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling a [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract); approximately 2%-10% of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) value.   
Used in the context of securities to describe the deposit required by [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) engaged in [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) on behalf of a new client.   
Also used to refer to the deposit with a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) competing for the [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) business.

**Good money**

Federal funds that [clear](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear) on the same day, unlike [clearinghouse funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_house_funds), which require three days to [clear](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear).

**Good-this-Month order (GTM)**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that continues to be a valid [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) until the end of the current month.

**Good through/until date order**

Used in the context of general equities. [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) that remains viable for a stated period of time unless [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel), [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), or changed, after which such [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) or the portion thereof not executed is to be treated as cancelled.

**Good 'til cancelled order (GTC)**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is good until you [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) or [cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) it. Brokerages usually set a limit of 30-60 days, at which the G.T.C. order expires if not restated. (Different from a [day order.)](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_order)

**Goodwill**

Excess of purchase price over fair [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of [net assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) acquired under the [purchase method](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase_method) of accounting.

**Government bond**

See: [Government securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_securities)

**Government National Mortgage Association (Ginnie Mae)**

A [wholly owned](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wholly_owned_subsidiary) U.S. government [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) within the Department of Housing & Urban Development. Ginnie Mae [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) the timely payment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by approved servicers that are [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) by [FHA](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_housing_administration)-issued, VA-guaranteed, or Farmers Home Administration (FmHA)-guaranteed [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Government obligations**

U.S. government-backed [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument), which are considered among the safest [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) possible, including [Treasury bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds), bills, and [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), and [savings bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond).

**Government securities**

[Negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable) [U.S. Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#us_treasury_bill) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Government sponsored enterprises**

Privately owned, [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) entities, such as the [Student Loan Marketing Association](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#student_loan_marketing_association), created by Congress to reduce the [cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital) for certain borrowing sectors of the economy including farmers, homeowners, and students.

**Governments**

U.S. government-[issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds), and [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), and [savings bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond). Governments are considered among the safest [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) available as they are backed by the U.S. government.   
Also used to refer to [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of federal agencies, which are not directly backed by the U.S. government.

**Grace period**

The time period stipulated in most [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) and [insurance policies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) during which a late payment will not result in [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) or [cancellation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**Graduated call writing**

Selling [covered call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_call) [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) at incrementally rising [exercise prices](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price), so that as the price of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) rises and the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) are [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise), the seller receives a higher average price than the original [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Graduated lease**

A type of [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) whose payments are [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) rather than fixed, and depend upon a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) rate, such as changes in the [consumer price index](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_price_index).

**Graduated payment**

Repayment terms calling for gradual increases in the payments on a closed-end [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). A graduated payment [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) usually involves negative amortization.

**Graduated-payment mortgage (GPM)**

A type of stepped-payment [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in which the borrower's payments are initially lower than those on a comparable [level](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#level)-rate [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage). The payments gradually increase over a predetermined period (usually 3, 5, or 7 years), and then are fixed at a [level-pay](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#level_pay) schedule, which will be higher than the level-pay [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) of a level-pay mortgage [originated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#origination) at the same time. The difference between what the borrower actually pays and the amount required to fully [amortize](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) the mortgage is added to the unpaid [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance.

**Graduated security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that has moved from listing on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) of less prominence to one of more prominence.

**Graham and Dodd method of investing**

An [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) based on [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) analysis and identification. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with undervalued [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [speculating](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculation) that these [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) will [appreciate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) to their true value.

**Graham-Harvey Measure 1**

[Performance measure](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement) developed by John Graham and Campbell Harvey. The idea is to [lever](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) a fund's [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to exactly match the [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) of the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500. The difference between the fund's levered [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 return is the [performance measure](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement).

**Graham-Harvey Measure 2**

[Performance measure](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement) developed by John Graham and Campbell Harvey. The idea is to lever the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 portfolio to exactly match the [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) of the fund. The difference between the fund's [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and the levered [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 return is the performance measure.

**Grandfathered activities**

Nonbank activities, some of which would normally not be permissible for bank holding [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and foregin banks in the United States, but which were acquired or engaged in before a particular date. Such activities may be continued under the "grandfather" clauses of the Bank Holding Company Act and the International Banking Act.

**Grandfather clause**

A provision included in a new rule or [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that [exempts](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exemption) a business that is already conducting business in the area addressed by the regulation from [penalty](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#penalty_clause) or [restriction](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted).

**Grant**

The issuance of an award under a stock plan, such as a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) option or shares of [restricted stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_stock).

**Grant Date**

The date on which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or other award is granted.

**Grantor**

A [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) in the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) who makes [premium income](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium_income) by selling [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Grantor Retained Income Trust (GRIT)**

A tax-saving [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in which a [grantor](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) transfers property to a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary), but receives income until termination, at which time the beneficiary begins receiving the income.

**Grantor trust**

A mechanism of [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) wherein the mortgages' [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) is deposited with a [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) under a [custodial](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#custodian_bank) or trust agreement.

**Graveyard market**

[Bear market](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_market) in which [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who sell are faced with substantial [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss), while potential investors prefer to stay [liquid;](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) that is, to keep their [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [cash equivalents](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_equivalent_items) until [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions improve.

**Gray knight**

In a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition), a gray knight is an [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that outbids a [white knight](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_knight) in pursuit of its own best interests, although it is friendlier than a [hostile bidder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover).

**Gray list**

Formal roster of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that can be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by the [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) desks, but not in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage) because an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) is involved with the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) on nonpublic activity (e.g., [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) and [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) defense). A stock's presence on this list should never be conveyed to anyone outside the trading area, much less outside the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). See: [Restricted list](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted).

**Gray market**

Describes the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that have not officially been [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) other than the [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate). This type of [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) serves as a good indicator of demand for a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Great call**

Used in the context of general equities. Potential customer who may have an interest in participating in a particular [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) if customer's past [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) or activity is any indication.

**Greater fool theory**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) notion that even when a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is fully valued by conventional standards, there is room for upward movement because there are enough buyers to push prices farther upward purely on [speculation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculation) or hype.

**Greenmail**

The holding of a large [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) by an unfriendly company, with the object of forcing the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to [repurchase the stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_of_stock) at a substantial [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to prevent a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Greenshoe option**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that allows the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) for a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and resell additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Gross per broker**

The dollar amount of [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) generated by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or [registered representative](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_representative) over a specific period.

**Gross domestic product (GDP)**

The [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of final goods and services produced over time including the income of foreign [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and foreign residents working in the U.S., but excluding the income of U.S. residents and corporations overseas.

**Gross earnings**

A person's [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income) prior to adjustments. See: [adjusted gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_gross_income).

**Gross estate**

The [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) value of a person's property and [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) before accounting for [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), taxes, and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Gross income** -

A person's [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) income prior to exclusions and [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction).

**Gross interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) earned before taxes are [deducted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction).

**Gross lease**

A type of property [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) in which the [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) (owner of the property being leased) pays [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) associated with ownership such as damages, taxes, and insurance.

**Gross National Product (GNP)**

Measures and economy's [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) income. It is equal to [G.D.P.](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_national_product) plus the income abroad accruing to domestic residents [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) income generated in [domestic market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) accruing to non-residents.

**Gross parity**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) and international equities. Antithesis of [net parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_parity). For the price of a convertible, including [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). For the price of international [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), including [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), fees, [stamp duty](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stamp_duty), and other [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), translated into U.S. dollar amounts.

**Gross profit**

[Sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold).

**Gross profit margin**

Gross profit divided by [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), which is equal to each sales dollar left over after paying for the [cost of goods sold](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_goods_sold).

**Gross sales**

[Total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) calculated by summing all sales at [invoice](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice) values, neglecting any adjustments such as customer discounts or [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Gross spread**

The fraction of the gross proceeds of an [underwritten](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) that is paid as [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) to the [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) of the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings).

**Gross Weight**

The full weight (including goods and packaging) of shipment.

**Ground lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) of land, as opposed to a lease of a building.

**Group insurance**

Insurance coverage for a group, which can usually be obtained at a cheaper rate than insurance for an individual.

**Group of Eight (G-8)**

The [G-7](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#group_of_seven) countries plus Russia.

**Group of Five (G-5)**

The five leading countries (France, Germany, Japan, the U.K., and the U.S.) that meet periodically to achieve some cooperative effort on international economic issues. When [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) issues are discussed, the monetary authorities of these nations hold the meeting.

**Group of Seven (G-7)**

The [G-5](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#group_of_five) countries plus Canada and Italy.

**Group of Ten**

A group of the ten major industrialized countries whose mission is to create a more stable world economic [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) environment through [monetary](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy) and fiscal policies. The ten are Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom, and the United States.

**Group rotation**

The tendency of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in one [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to outperform and then underperform other industries, usually as a result of economic cycles or the conditions in a particular industry.

**Group rotation manager**

A [top-down manager](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#top_down_equity_management_style) who deduces the phases of the business cycle and allocates [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) accordingly.

**Group sales**

[Block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) (of large amounts) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**Group Universal Life Policy (GULP)**

[Universal life](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#universal_life) insurance on a group basis. See: [Group insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#group_insurance).

**Growing Equity Mortgage (GEM)**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) with a fixed [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and payments that increase throughout the term of the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Growing perpetuity**

A constant stream of [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) without end that is expected to rise indefinitely.

**Growth fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) primarily in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a history of and future potential for [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Growth and income fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) primarily in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a history of [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) (growth) and consistent [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments (income).

**Growth manager**

A [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) who seeks to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that typically sell at relatively high [P/E ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio) due to high [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) growth, with the expectation of continued high or higher earnings growth.

**Growth opportunity**

Opportunity to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) projects.

**Growth phase**

A phase of development during which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) experiences rapid [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) growth as it produces new products and expands [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) share.

**Growth rates**

[Compound annual growth rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_growth_rate) for the number of full [fiscal years](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiscal_year) shown. If there is a negative or zero value for the first or last year, the growth is N.M. (not meaningful).

**Growth recession**

A growth [recession](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recession) is a prolonged period (more than one quarter) of significantly below trend real GDP growth. For the U.S., this would be growth in the 0-2 percent range. While an official recession usually has two quarters of negative real GDP growth, this is not required in a growth recession.

**Growth stock**

[Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that has an opportunity to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) and [earn](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) more than the [opportunity cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opportunity_cost_of_capital).

**Guarantee**

The assumption of responsibility for payment of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) or performance of some [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) if the liable party fails to perform to expectations.

**Guarantee Fee**

A sum paid by the importer to the guarantor, usually as a percentage per annum of the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of the bills or notes being [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee).

**Guarantee letter**

A commercial bank's letter assuring payment of the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of a client's [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option).

**Guaranteed bond**

A type of [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) other than the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) its [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments.

**Guaranteed insurability**

A life and health [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) feature that enables the insured to add coverage at future times and at fixed and agreed-upon rates regardless of health conditions.

**Guaranteed insurance contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) promising a stated [nominal interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal_interest_rate) over some specific time period, usually several years.

**Guaranteed investment contract (GIC)**

 A pure [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) product in which a life [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) agrees, for a single [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium), to pay at a [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount of a predetermined annual [crediting (interest) rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crediting_rate) over the life of the investment.

**Guaranteed Mortgage Certificates (GMC)**

First [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) in 1975, G.M.C.s, like PCs, represent undivided [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in specified [conventional](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conventional_mortgage) whole [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and [participations](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participation_certificates) previously purchased by [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac).

**Guarantor**

A party who will [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) repayment or performance of a [covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covenant).

**Guardian**

An individual or trust institution appointed by a court to care for a minor or an incompetent person and his or her property.

**Guaranteed renewable policy insurance**

A type of [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that requires the insurer to renew the policy to an individual regardless of health changes. No changes may be made to an individual [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) unless the same change is applied to all policyholders.

**Guaranteed replacement cost coverage insurance**

A policy that covers the full [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of replacing damaged property without any allowances or [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction), e.g., [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Guaranteeing/ Avalising Bank**

The person, bank, or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) entity who gives the [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) for the importer.

**Guarantor program**

Under the [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) program, the [aggregation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) by a single [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) (usually an [S&L](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association)) for the purpose of forming a qualifying [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) to be [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) as [PCs](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p.s.) under the [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee).

**Guidance**

It is increasingly important for firms to meet or exceed analysts' consensus earnings forecasts. Often management will give guidance or hints of the earnings per share prospects over the next quarter or next year to try to direct the consensus to what is achievable. For example, it is possible that the consensus is well above management's internal forecasts. Management will try to guide the consensus downwards so that when the earnings are released the negative surprise is minimized. Under Regulation FD, management needs to be very careful to provide guidance information to all shareholders -- not just a select group of analysts. This is often achieved in investor presentations (that are often webcast) or conference calls (where anyone is allowed to dial in).

**Gun jumping**

In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), refers to trading in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on the basis of information that has not been made available to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). The illegal solicitation of [buy orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) in an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) before completion and finalization of [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration).

**Gunslinger**

An aggressive [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager) who makes [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), typically in [margin accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), in search of high [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Gypsy Swaps**

In the context of Regulation D. A private purchaser wishes to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) directly in an issuer but hopes to acquire unrestricted [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Through arrangements and understandings with the issuer, a stockholder with shares that are either restricted securities currently eligible for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) under [Rule 144](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_144) or unrestricted securities sells the shares to the private purchaser. At about the same time, the issuer sells an equivalent number of shares to the stockholder. The [Securities & Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission)'s view is that the shares taken by the private purchaser from the stockholder will be restricted securities within the meaning of [Rule 144](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_144a)(a)(3). The holding period will date to the private acquisition. A [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) resale of the shares acquired from the stockholder without regard to the conditions of [Rule 144](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_144) would raise serious issues under Section 5 of the [Securities Act](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) for all parties to the [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**H**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the issue is the second preferred bond of the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**HAB**

See: [House Air Waybill](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#house_air_waybill)

**HEX**

See: [Helsinki Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#helsinki_exchange)

**HK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HONG KONG.

**HKD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for theHong Kong Dollar.

**HKFE**

See: [Hong Kong Futures Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hong_kong_futures_exchange)

**HLT**

See: [Highly leveraged transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#highly_leveraged_transaction)

**HM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HEARD ISLAND AND MCDONALD ISLANDS.

**HN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HONDURAS.

**HNL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Honduras Lempira.

**HR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CROATIA.

**HRK**

Croatian Kuna currency. (The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code)

**HT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HAITI.

**HTG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Haiti Gourde.

**HU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HUNGARY.

**HUF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Hungarian Forint.

**HUI**

An indexed (unhedged) of gold stocks. A popular chart is to compare the price of gold to this index.

**Haircut**

The [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) or difference between the actual [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the value [assessed](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#assessed_valuation) by the [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) side of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction)).

**Half-life**

The point in the life of a [mortgage-backed security](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) or [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the [Government National Mortgage Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association), the [Federal National Mortgage Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae) or the [Federal Home Loan Mortgage Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_mortgage) when half the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) has been repaid.

**Half-stock**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) or [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), with a $50 [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par) value.

**Hammering the market**

Heavy selling of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by [speculators](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) who think that the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is overvalued and is about to drop.

**Handle**

The whole-dollar price of a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) is referred to as the handle (e.g., if a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is quoted at 101.10 bid and 101.11 offered, 101 is the handle). [Traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) are assumed to know the handle. See: [Full](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full).

**Hands-off investor**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who has a large stake in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), but does not wish to play an active role in the [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Hands-on investor**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who has a large stake in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and takes an active role in its [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) . Antithesis of [hands-off investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hands_off_investor).

**Hang Seng index**

The major [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) in Hong Kong.

**Hard call protection**

Usually refers to callable bonds. The period of time when a bond cannot be called, no matter what the interest rate is. That is, if the interest rate falls sharply, most callable bonds will be called (so the bond issuer can reissue at a lower interest rate). Hard call protection ensures that the holder of the bond can benefit when rates fall.

**Hard capital rationing**

A [capital budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budget) that under no circumstances can be violated.

**Hard currency**

A freely convertible [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that is not expected to [depreciate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) in value in the foreseeable future.

**Hard dollars**

Actual separate payments made by a customer for services, including research, provided by a brokerage firm. Antithesis of [soft dollars](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#soft_dollars).

**Harmless warrant**

[Warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) that allows the user to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) only by surrendering an other bond with similar [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**The Harmonized Commodity Description and Coding System**

Commonly known as Harmonized System. It isa a classification system devised by the Customs Cooperation Council to provide uniformity in tariff classification, trade statistics, and transport documentation among cooperating countries.

**Hart-Scott-Rodino Act**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Antitrust act administered by U.S. Department of Justice and the FTC that requires an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to file a form with the government before he acquires an economic interest in the lesser amount of $15 million or 15% of the [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) of a specific [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The government has thirty days to respond to the filer.

**Harvey, Campbell R.**

Author of this glossary. Finance professor at Duke University. Author of research on international finance, asset allocation, and [emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets).

**Hawkish**

An aggressive tone. For example, if the Federal Reserve uses hawkish language to describe the threat of inflation, one could reasonably expect stronger actions from the Fed. There is a similar application to CEO describing an important issue that a firm faces. Opposite of Dovish.

**Head & shoulders**

In [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis), a pattern that results where a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price reaches a [peak](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#peak) and declines; rises above its former peak and again declines; and rises a third time but not to the second peak, and then again declines. The first and third peaks are shoulders, while the second peak is the formation's head. [Technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts) generally consider a head and shoulders formation to be a very [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear_market) [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication).

**Heavy**

An [equities market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market) now dominated by sellers, or oversupply, resulting in falling [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices). See: [Overbought](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overbought), [resistance level](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resistance_level), [tired](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tired).

**Hedge**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that reduces the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Hedge clause**

A clause in a research report or any published document, that attempts to absolve the writer of responsibility for the accuracy of information provided.

**Hedge fund**

An investment vehicle that somewhat resembles a mutual fund, but with a number of important differences. If the fund is "off-shore", the fund does not have to adhere to any SEC regulations (and can only sell to non-U.S. investors or investment vehicles). These funds employ a number of different strategies that are not usually found in mutual funds. The term "hedge" can actually be misleading. The traditional hedge fund is actually hedged. For example, a fund employing a long-short strategy would try to select the best securities for purchase and the worst for short sale. The combination of longs and short provides a natural hedge to market-wide shocks. However, much more common are funds that are not hedged. There are funds that are long-biased and short-biased. There are funds that undertake high frequency futures strategies, sometimes called managed futures. There are funds that take long-term macroeconomic bets, sometimes called global macro. There are funds that try to capitalize on merger and acquisitions. Another distinguishing feature of hedge funds is the way that managers are rewarded. There are two fees: fixed and variable. The fixed fee is a percentage of asset under management. The variable or performance fee is a percentage of the profit of the fund. There are also funds of funds which invest in a portfolio of hedge funds. Another important difference with hedge funds is that the minimum required investment is usually quite large and, as a result, minimizes the participation of retail investors.

**Hedge quality**

Measured by the [R-square](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r_squared) in a [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) of [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) changes on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) price changes.

**Hedge ratio (delta)**

For [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), ratio between the change in an option's [theoretical value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#theoretical_value) and the change in price of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a given point in time. For convertibles, percentage of a [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) representing the number of [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) sold against the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) into which [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are convertible. If a [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) is convertible into 2000 common shares, a 75% hedge ratio would be [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) ([long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long)) 1500 common for every 1000 preferred long (short). See: [Delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta).

**Hedge wrapper**

An [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) buys an [out-of-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money) [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and sells an [out-of-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money) [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call). The [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) wrapper defines a [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) where the stock will be sold at [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), which way the stock moves.

**Hedged portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) consisting of a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in the [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) on the stock, so as to be [riskless](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and produce a [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that equals the [risk-free interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_rate).

**Hedged tender**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) sells a portion of a stock holding [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) in the event all [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) tendered are not accepted. For example, investor Q has 5000 shares of XYZ. An [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) makes a tender offer of $100 a share when the shares are currently worth $80. Investor Q short-sells 2500 shares after the announcement and the price of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has approached $100. Company XYZ [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) only 2500 of the original shares at $100. Investor Q has sold all shares at $100 even as the price of the stock drops on a post-news [dip](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dip).

**Hedgie**

Slang for a [hedge fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_fund).

**Hedging**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) designed to reduce [investment risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_risk) using [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) options, [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short)-selling, or [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). A hedge can help lock in [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Its purpose is to reduce the [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) by reducing the risk of [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Hedging demands**

Demands for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) particular sources of consumption [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), beyond the usual mean-variance [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) motivation.

**Held at the opening**

Used for listed equity securities. Not [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) because [specialists](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) or [regulators](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_regulator) are not allowing [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) to occur until imbalances dissipate or news is disseminated.

**Held order**

[Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that must be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) without hesitation ([Hit the bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hit_the_bid) or [take the offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_the_offer) in line) or if the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) can be bought or sold at that price (held [limit order)](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) in sufficient quantity.

**Hell-or-high-water contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that [obligates](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) a [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a project's output to make [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) payments to the project in all events, even if no product is offered for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Helsinki Exchanges (HEX)**

The Helsinki [Exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) (HEX Ltd., Helsinki [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and Derivatives Exchange and [Clearing House](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse)) was formed at the beginning of 1998 following the [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) of the Helsinki Stock Exchange Ltd. and SOM Ltd., the Securities and Derivatives Exchange, and the Clearing House.

**Hemline theory**

A theory that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices move in the same direction as the hemlines of women's dresses. For example, short skirts (1920s and 1960s) are symbolic of [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and long skirts (1930s and 1940s) are symbolic of [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Hermes**

The [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) for Germany.

**Herstatt risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) that one party will deliver foreign exchange but the [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) will fail to complete its end of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). This is also referred to as [settlement risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_risk).

**H-H page**

Quotron display page that shows new listed [inquiries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry)/[orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) received after the [block call](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_call).

**HIBOR**

Hong Kong Interbank Offer Rate, the [annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) offer rate banks pay to attain Hong Kong three-month deposits in [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) dollars.

**Hidden load**

A [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge) that is not explicitly disclosed or is buried in the fine print of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) or [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) and therefore is not immediately apparent.

**Hidden values**

Valuable [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) owned by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), that are not accurately reflected in its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price at a particular time.

**High-coupon bond refunding**

Replace a high-[coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_bond) with a new, lower-coupon bond.

**High credit**

The maximum amount of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) for a particular customer on a bank's record.

**High current income mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose primary goal is to produce a high level of income by making higher-[risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) such as [junk bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond).

**High flyer**

High-priced and highly [speculative stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculative_stock) that moves up and down sharply over a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) period. Generally glamorous in nature due to the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) potential associated with them; also used to describe any high-priced stock. Antithesis of [sleeper](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sleeper).

**High-grade**

[Credit quality](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_quality) of AAA or AA.

**High-grade bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with Triple-A or Double-A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) in [Standard & Poor's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p), or Moody's rating system.

**High price**

The highest ([intraday](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intraday)) price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) over the past 52 weeks, adjusted for any [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split_stock).

**High-premium convertible debenture**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term), high-[premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium), [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) conversion feature. It also [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) a competitive [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). This type of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) vehicle is aimed at [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who want to be able to convert into [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**High-tech stock**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) operating in high-technology fields.

**High withholding tax interest income**

Interest income that is subject to a foreign gross [withholding tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax) of 5% or more. Specified in US tax code.

**High yield**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that focuses on low rated fixed income securities.

**High-yield bond**

See: [Junk bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond)

**Highjacking**

Japanese term for a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Highly confident letter**

An [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) letter indicating that the firm is highly confident it will be able to arrange financing for a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) deal.

**Highly leveraged transaction (HLT)**

Bank [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to a highly [leveraged](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Highs**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that have hit an all-time high for the current 52-week time period.

**Hire Purchase**

The right to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) by the user of the asset according to a pre-agreed method. The user may be the owner for tax purposes.

**Historical cost**

Describes the accounting cost carried in the [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) for a current cost of the item.

**Historical Cost Accounting Convention**

An accounting technique that values an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) for [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) purposes at the price paid for the asset at the time of its [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition).

**Historical exchange rate**

An accounting term that refers to the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) in effect at the time an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) is [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree).

**Historical trading range**

The [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) of price over which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) has [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) since [listing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing) on a [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Historical volatility**

Fluctuations estimated from a historical time series.

**Historical yield**

A measure of a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) over a specific period of time, e.g., 1 year, 2 year, 5 year, or year to date.

**Hit the bid**

A [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who agrees to sell at the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) price [quoted](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quoted_price) by another [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) is said to "hit" that bid. Antithesis of [take the offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_the_offer).

**Hit the ribbon**

Used in the context of general equities. See: [Print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print).

**Hold**

To maintain ownership of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) over a long period of time. "Hold" is also a recommendation of an [analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who is not positive enough on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to recommend a buy, but not negative enough on the stock to recommend a sell.

**Holder**

The [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of an option.

**Holder of record date**

The date on which holders of record in a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [ledger](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_ledger) are designated as the recipients of either [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or [stock rights](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_right). Also called [date of record](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#date_of_record).

**Holding company**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that owns enough [voting](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to control [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) and operations by influencing or electing its [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Holding the market**

The illegal practice of maintaining and/or placing a sufficient number of [buy orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) to create [price support](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_support) for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in an amount to of stabilize a downward [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Holding period**

Length of time a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is [held](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold).

**Holding-period return**

[Rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) over a given period.

**Holding-Period Yield (HPY)**

The [annual rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_rate_of_return) actually [realized](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#realized_return) on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Home asset bias**

The tendency of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to over invest in their own county's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Home run**

Large [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) period of time.

**Homemade dividend**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of some [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to get [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in an amount similar to that of a [cash dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend).

**Homemade leverage**

Idea that as long as individuals [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) (or [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend)) on the same [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) as the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), they can duplicate the effects of corporate [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) on their own. Thus, if levered firms are priced too high, rational [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will simply borrow on personal accounts to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in unlevered firms.

**Homeowner's equity account**

A [credit line](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) offered by[mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) allowing a homeowner a [second mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#second_lending) that uses the [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) present in the customer's [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral).

**Homeowner's insurance policy**

An [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) protecting a homeowner against damage or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to property.

**Homogeneity**

The degree to which items are similar.

**Homogeneous**

Exhibiting a high degree of [homogeneity](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#homogeneity).

**Homogeneous expectations assumption**

An assumption of [Markowitz](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) construction that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have the same expectations with respect to the inputs that are used to derive [efficient portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_portfolio): [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), [variances](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance), and [covariances](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance).

**Hong Kong Futures Exchange (HKFE)**

Established in 1976, the Hong Kong Futures Exchange (H.K.F.E.) operates futures and options markets in [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), and [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) products.

**Horizon analysis**

An analysis of [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) using total return to assess performance over some [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) horizon.

**Horizon matching strategy**

An income [immunization strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immunization_strategy) that [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash)-matches over the next few years and [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration)-matches the rest.

**Horizon return**

Total [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) over a given horizon.

**Horizontal acquisition**

[Merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) between two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) producing similar goods or services.

**Horizontal analysis**

The process of dividing each [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) item of a given year by the same expense item in the [base](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base) year. It allows assessment of changes in the relative importance of expense items over time and the behavior of expense items as [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) change.

**Horizontal merger**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) involving two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in the same industry that are both at the same stage in the production cycle; that is, two or more [competitors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competition).

**Horizontal price movement**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price movement within a narrow price [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) over an extended period of time which creates the appearance of a relatively straight line on a graph of the [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price.

**Horizontal spread**

The simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of two [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that differ only in their [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Hospital revenue bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to finance construction of a hospital by a municipal or state [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency).

**Host security**

The security to which a [warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) is attached.

**Hostile takeover**

A [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) (usually made by an open [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) to shareholders) against the wishes of the current [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) and the [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) by an [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) company or raider.

**Hot**

Used in the context of general equities. [Active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active), usually with positive price implications.

**Hot money**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) that moves across country borders in response to [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) differences and that moves away when the interest rate differential disappears.

**House**

[Firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that conduct business as [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or in the [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) field are characterized as houses.

**House account**

A type of [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) at a brokerage firm that is given a high level of priority and is handled by the main office or an [executive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account_executive), rather than a traditional salesperson.

**House Air Waybill (AWB)**

An air waybill issued by an [air freight consolidator](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#air_freight_consolidator).

**House call**

Notification by a brokerage house that a customer's [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) is below the minimum maintenance level. The client must provide more [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), or the [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) will be [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**House of issue**

An [investment banking](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) firm whose business it is to [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**House maintenance requirement**

The internal rules of a brokerage house that govern the minimum amount of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) that must be present in a customer's [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account).

**House poor**

People who are short on [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) because most of their [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is tied up in their homes are "house poor."

**House rules**

Internal rules of [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that govern the handling of its customers' [accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account).

**Housing bond**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a local housing authority to finance housing projects.

**"How are you making XXX?"**

"What is your [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock)?" See: [Quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation).

**Hubris**

An arrogance due to excessive pride and an insolence toward others. A classic character flaw of a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) or [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Hulbert rating**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) by Hulbert Financial Digest, a service of CBS MarketWatch, of how well the recommendations of various [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [advisory newsletters](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advisory_letter) have performed.

**Human capital**

The unique capabilities and expertise of individuals.

**Humphrey-Hawkins Act**

Informal name for the Full Employment and Balanced Growth Act of 1978, from the names of the act's original sponsors.

**Hung up**

Used to describe the [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) of an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) whose [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) have dropped in value below their original [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price.

**Hunkering down**

A term used to describe a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) selling off a big [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Hurdle rate**

The [required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) in [capital budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budgeting). For example, if a project has an expected [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) higher than the hurdle rate, the project may be accepted.

**Hurst Exponent(H)**

A measure of the bias in [fractional Brownian motion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractional_brownian_motion). H=0.50 for Brownian motion. 0.50<H<1.00 for persistent, or [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend)-reinforcing [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series). 0<H<0.50 for an [anti-persistent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anti_persistence), or [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean)-reverting system. The inverse of the Hurst exponent is equal to [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha), the characteristic exponent for [Stable Paretian](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stable_paretian) [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution). The [fractal dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension) of a time series, D, is equivalent to 2-H.

**Hybrid**

A package of two or more different kinds of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) that are usually interactive.

**Hybrid annuity**

A type of insurance company [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that combines the benefits of both a [fixed annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_annuities) and a [variable annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable_annuities).

**Hybrid security**

A [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) whose optioned [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) in a middle range, causing the convertible security to trade with the characteristics of both a [fixed income security](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities) and a common stock [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Hyperinflation**

See: [Inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation)

**Hypothecation**

In banking, refers to the commitment of property to [secure](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

In [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), refers to the commitment of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to serve as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) at the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) firm.

**Hysteresis**

Used to characterize a [lagging](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lagging) effect. [Firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) may fail to enter [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that appear attractive, or firms that are once [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a market may persist in operating at a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). The effect is characteristic of investments with high entry and exit costs along with high uncertainty.

**I**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that it is the third preferred bond of the company.

**IBES**

See: [Institutional Brokers Estimate System](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_brokers_estimate_system)

**IBF**

See: [International Banking Facility](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_banking_faciltiy)

**IBRD**

See: [International Bank for Reconstruction and Development](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_bank_for_reconstruction_and_development)

**IC**

See: [Information Coefficient](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#information_coefficient)

**ICC**

See: [International Chamber of Commerce](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_chamber_of_commerce)

**ID**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for INDONESIA.

**IDC**

See: Interest During Construction

**IDR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Indonesian Rupiah.

**IDR**

See: [International Depository Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_depository_receipt)

**IE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for IRELAND.

**IEP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Irish Punt.

**IFC**

See: [International Finance Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_finance_corporation)

**IL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ISRAEL.

**ILS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Israeli Shekel.

**IMF**

See: [International Monetary Fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_fund)

**IMM**

See: [International Monetary Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_market)

**IN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for INDIA.

**INR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Indian Rupee.

**IO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for BRITISH INDIAN OCEAN TERRITORY .

**IO**

See: [Interest-only strip](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_only_strip)

**IOC order**

See: [Immediate or canceled order](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immediate_or_cancelled_order)

**IOM**

See: [Index and Option Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_and_option_market)

**IPL**

See: [Investment Product Line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_product_line)

**IPO**

See: [Initial Public Offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering)

**IQ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for IRAQ.

**IQD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Iraqi Dinar.

**IR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for IRAN, ISLAMIC REPUBLIC OF.

**IRB**

See: [Industrial Revenue Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industrial_revenue_bond)

**IRR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Iranian Rial.

**IRR**

See: [Internal rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return)

**IS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ICELAND.

**ISDA**

See: [International Swap Dealers Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_swap_dealers_association)

**ISK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Icelandic Krona.

**ISMA**

See: [International Security Market Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_security_market_association)

**ISO**

See: [International Organization for Standardization.](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization)

**IT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ITALY.

**ITL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Italian Lira.

**ITM**

See: [In-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money)

**ITS**

See: [Intermarket Trading System](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermarket_trading_system)

**IBC's money fund report average**

[Report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) giving the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of all major [money market funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund).

**I-bonds**

Treasury savings bonds with a 30-year [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [indexed](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) to account for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Identified shares**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) date and price may be identified for [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) and tax purposes when shares sold.

**Idiosyncratic Risk**

[Unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk) or [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that is [uncorrelated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) to the overall [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) risk. In other words, the risk that is [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_risk) and can be [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk) through [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**I-I page**

In [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), same as [H-H page](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#h_h_page), but exclusively for [OTC stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.).

**Illegal dividend**

A corporation's [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that is [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) in violation of its charter and/or of state laws, typically because of the way it is calculated.

**Illiquid**

In the context of corporate finance, the absence of [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) needed to fulfill financial [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and meet [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). In the context of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), describes a thinly [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) such as a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is not easily converted into cash. Illiquid securities have high transactions costs. Often the bid-ask spread is very wide.

**Imbalance of orders**

Used for listed equity securities. Too many [market orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) of one kind-[buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or to sell or [limit orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) to buy up or sell down, without matching orders of the opposite kind. An imbalance usually follows a dramatic event such as a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover), research recommendation, or death of a key executive, or a government ruling that will significantly affect the company's business. If it occurs before the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) [opens](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open), [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is delayed. If it occurs during the trading day, the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) halts and then [suspends trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#suspended_trading) (with [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) governor's approval) until enough matching orders can be found to make an orderly market.

**Immediate or canceled order (IOC order)**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) in whole or in part as soon as such order is represented in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading). The portion not executed is to be treated as [canceled.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) A [stop](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) is considered an execution in this context. See: [AON order](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order), [FOK order](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fill_or_kill_order).

**Immediate family**

Term used in the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) rules of fair practice to refer to one's parents, brothers, sisters, children, relatives supported financially, father-in-law, mother-in-law, sister-in-law, and brother-in-law.

**Immediate payment annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) paid by a single payment and with a specified payment plan that starts immediately after the contract is [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Immediate settlement**

[Delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) and settlement of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) within five business days.

**Immunization**

The construction of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and a [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) match that benefits from [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) changes in value.

**Immunization strategy**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) strategy whose goal is to eliminate the portfolio's [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), in case of a general change in the rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), through the use of [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration).

**Impaired capital**

When a company's total [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) is less than the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of all its [capital stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_stock).

**Impaired credit**

Result of a [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) reduced [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating).

**Imperfect market**

Economic environment in which the costs of labor and other resources used for production encourage [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to use substitute inputs that less costly.

**Implicit Bankruptcy Costs**

Opportunity costs incurred prior to the [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) process such as the loss of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or financing.

**Implicit tax**

Lower or higher before-tax required returns on [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are subject to lower or higher [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate).

**Implied call**

The right of the homeowner to [prepay](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments), or [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) at any time.

**Implied repo rate**

The rate that a seller of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) can earn by buying an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and then [delivering](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) it at the [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date). Related: [Cheapest to deliver issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cheapest_to_deliver_issue).

**Implied volatility**

The expected [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) in a stock's [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) derived from its [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price), [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date), [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price), and [riskless rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate_of_return), using an [option pricing](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) model such as [Black-Scholes](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#black_scholes_option_pricing_model).

**Import/export letters of credit**

Bank or financial institution issuance's of funds in a certain amount provided to facilitate international trade.

**Import Quota**

Puts limits on the quantity of certain products that can be legally imported into a particular country during a particular time frame. There is a Fixed quota, which is a maximum quantity not to be exceeded, and [tariff](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tariff) rate surcharge, which permits additional quantities but at much higher duty.

**Import substitution development strategy**

A development strategy followed by many Latin American countries and other [LDCs](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#less_developed_countries) that emphasize import substitution-accomplished through [protectionism](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protectionism)-as the route to [economic growth](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_growth_rate).

**Imputation tax system**

Arrangement by which [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who receive a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) also receive a [tax credit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_credit) for corporate taxes that the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has paid.

**Imputed interest**

Used in accounting to refer to [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that has effectively been paid to a [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder), even though no [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) has actually been paid.

**Imputed value**

Refers to the value of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_value), service, or company that is not physically recorded in any accounts but is implicit in the product, e.g., the opportunity cost of cash remaining in a savings account and not invested.

**In between**

Used in the context of general equities. Priced higher than the [bid price](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_price) but lower than the [offer price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price). See: [In the middle](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_middle)

**In the box**

Means that a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) has a wire receipt for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), [indicating](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that effective [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on them has been made.

**In competition**

[Indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that the customer has revealed [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) interest to multiple [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and that the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) will take place with the firm having the highest [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or lowest [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer). Antithesis of [exclusive](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exclusive).

**In hand**

Used in the context of general equities. Firm indicating control of a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), or [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order).

**In the hole**

Used in the context of general equities. Below the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) when one is attempting to sell the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock); at a significant [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount). Antithesis of [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**In-house**

In the context of general equities, keeping an activity within the firm. For example, rather than go to the marketplace and sell a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for a client to anyone, an attempt is made to find a buyer to complete the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) with the firm. Although a [listed trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) must be taken to the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges), matching supply with demand within the confines of the firm results in higher commissions for the firm.

**In-house processing float**

The time it takes the receiver of a check to process a payment and deposit it in a bank for collection.

**In-line**

Used in the context of general equities. (1) An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in a specific [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) within the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market); 2) any announcement (earnings) that adheres closely to [Wall Street analysts'](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street_analyst) expectations.

**In the middle**

Used in the context of general equities. At a price exactly in between the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**In-the-money**

A [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) that has a [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) higher than the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price), or a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) with a [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) lower than the underlying futures price. For example, if the March [COMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comex) silver [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at $6 an ounce, a March [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) with a strike price of $5.50 would be considered in the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) by $0.50 an ounce. Related: [Put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put). Antithesis of [out-of-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money).

**In play**

Often used in risk arbitrage. Company that has become the [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover), and whose [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has now become a [speculative](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculative) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**In-the-money option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that has value.

**In & out**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). [Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in which the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) has both the buyers and sellers lined up for a [clean](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean) trade. See: [Cross](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cross)

**In-and-out trader**

A [daytrader](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_trading), or a [speculator](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) who buys and sells the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on the same day.

**In the tank**

Used in the context of general equities. Slang expression meaning [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) are dropping rapidly.

**In touch with**

Used in the context of general equities. Having a sell [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) (not a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) customer sell [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)), often entailing a capital commitment. Antithesis of [looking for](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#looking_for).

**In-substance defeasance**

Process through which debt is removed from the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) but not [canceled.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel)

**Inactive asset**

[Asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) not used in a productive manner at all times.

**Inactive post**

[Trading post](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_posts) on [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) where inactive, lightly [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in 10-[share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [lots](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lots) as opposed to 100-[share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) lots.

**Inactive stock/bond**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in very small [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) on a daily basis. See:[Illiquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#illiquid).

**Incentive fee**

Compensation paid to [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) advisers or to any practitioner who achieves above-[average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). Sometimes called performance fee.

**Incentive Stock Option (ISO)**

An [Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that has met certain tax requirements entitling the optionee to favorable tax treatment. Such an option is free from regular tax at the date of grant and the date of [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) (when a non-qualified option would become taxable). If two [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) period tests are met (two years between grant date and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) date and one year between the exercise date and sale date), the [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on the option qualifies as a long [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) capital gain rather than ordinary income. If the holding periods are not met, there has been a "disqualifying disposition".

**Incestuous share dealing**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) between companies in order to create a tax or financial benefit for the companies involved.

**Incipient default**

Potential [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Income baskets**

Category to which certain income is allocated. Losses in one [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) may not be used to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) in another [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket). Specified in U.S. tax code.

**Income beneficiary**

One who receives income from a trust.

**Income bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose payment of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is contingent on sufficient earnings. These bonds are commonly used during the [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) of a failed or [failing business](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_failure).

**Income dividend**

Any payout to [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) resulting from [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), or other income.

**Income exclusion rule**

The [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) rule that excludes certain types of income from taxation, e.g., welfare payments.

**Income fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that seeks to provide to liberal [current income](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_income) from investments.

**Income immunization strategies**

Methodologies adopted to insure adequate future [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Income investment company**

A [management company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_management_company) focused on managing a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose primary purpose is income generation, typically investing in [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and high [dividend yielding stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield_stocks).

**Income limited partnership**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) whose main goal is income generation, e.g., [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), oil equipment.

**Income property**

Real estate [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) for the reasons of income generation.

**Income risk**

The possibility that a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) will decline as a result of falling [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). Income risk is generally greatest for [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and least for [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) bonds.

**Income statement (statement of operations)**

A statement showing the revenues, expenses, and income (the difference between revenues and expenses) of a corporation over some period of time.

**Income stock**

[Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) with a high [dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield) and few [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) investment opportunities.

**Income tax**

A state or federal government's levy on individuals as personal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) and on the earnings of corporations as corporate income tax.

**Incontestability clause**

Clause in a life insurance [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) preventing the insurer from revoking the policy after it has been in force for a year or two. If the life insurance company discovers any important facts that the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) may have concealed, such as experiencing a stroke.

**Incorporation**

A legal process through which a company receives a charter and the state in which it is based allows it to operate as a corporation.

**Incoterms**

Trade terms used worldwide to specify seller and buyer [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) in shipments against international [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). These terms are adopted by the [International Chamber of Commerce (ICC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_chamber_of_commerce) for international movement of merchandise. Since they in themselves are not law, they must be specified if desired in quotations, [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) contracts, [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) orders and commercial invoices.

**Inconvertibility**

The inability of a local [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to be exchanged for another currency. Often includes [transfer risk](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_risk).

**Incorporated joint venture**

A [joint venture](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joint_venture) in which the legal means of dividing the project's equity by [shareholdings](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Incremental cash flows**

Difference between the firm's [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) with and without a project.

**Incremental cost of capital**

Average cost applicable to the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of each additional unit of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Incremental costs and benefits**

Costs and benefits that would occur if a particular course of action is taken, compared to those that would have obtained if that course of action had not been taken.

**Incremental internal rate of return**

[Internal rate of return (I.R.R.)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return) on the incremental investment from choosing a larger instead of a smaller project.

**Indemnify**

Used in [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) agreements as to compensation for damage or loss. Hold harmless

**Indemnification**

Used in insurance policy agreements as to compensation for damage or loss. In the context of corporate governance, Director Indemnification uses the bylaws and/or charter to indemnify officers and directors from certain legal expenses and judgements resulting from lawsuits pertaining to their conduct.

**Indemnity**

A legal [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to cover a [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), however arising.

**Indenture**

Agreement between [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that details specific [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Specifies legal [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of bond [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and rights of [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder). An indenture spells out the specific terms of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), as well as the rights and responsibilities of both the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the holder.

**Independent auditor**

A [certified public accountant](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certified_public_accountant) operating outside the company who can provide an [accountant's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accountants_opinion).

**Independent broker**

[NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) member who [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for [floor brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) and firms other than its own.

**Independent investments**

[Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) available to a firm that may be selected individually or in groups because each investment is different in its nature and purpose.

**Independent project**

A project whose [acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance) or [rejection](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rejection) is independent of the acceptance or rejection of other projects.

**Independent variable**

Term used in [regression analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression_analysis) to represent the element or condition that is expected to influence another (so-called [dependent](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dependent_variable)) [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**Index**

Statistical composite that measures changes in the economy or in [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market), often expressed in percentage changes from a [base](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base) year or from the previous month. Indexes measure the ups and downs of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and some [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), in terms of market [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) and weighting of companies in the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Index arbitrage**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy) trading strategy that exploits divergences between actual and [theoretical futures prices.](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#theoretical_futures_price) An example is the simultaneous buying (selling) of [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) (i.e., [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500) while selling (buying) the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stocks of that index, capturing as [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) the temporarily inflated [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) between these two [baskets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket). Often, the point at which profitability exists is expressed at the [block call](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_call) as the number of [points](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) the future must be over or under the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) for an [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunity to exist. See: [Program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading).

**Index fund**

Investment fund designed to match the [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on a [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). [Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) matches that of a broad-based index such as the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 and whose performance therefore mirrors the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as represented by that index.

**Index futures**

A [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) on an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) (such as a foreign [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index)) in the [futures market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_market).

**Index method**

Technique to calculate [rates of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) that is based on initial and [terminal values](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#terminal_value).

**Index model**

A model of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) returns using a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) such as the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 to represent [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) or [systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) factors.

**Index option**

A [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) or [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) based on a [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Index and Option Market (IOM)**

A division of the [CME](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange) established in 1982 for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) products and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Index swap**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) of a [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) for some other [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as a stock-for-stock or debt-for-stock swap.

**Index warrant**

A [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by either a corporate or a sovereign entity as part of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), and [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by an option [clearing corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearing_corporations).

**Indexed bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose payments are linked to an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), e.g., the [consumer price index](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_price_index).

**Indexed rate**

An [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) linked to an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), usually the CPI.

**Indexed Stock Options**

Options that have an exercise price which may [fluctuate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) above or below market value at performance options in that the exercise price of [indexed](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) options typically remains variable until the option is exercised.

**Indexing**

A passive [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) strategy calling for construction of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of stocks designed to track the total [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) performance of an [index of stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index).

**Indexing plus**

See: [Enhanced indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#enhanced_indexing)

**Indicated dividend**

Total amount of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that would be paid on a share of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) over the next 12 months if each [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) were the same amount as the most recent dividend. Usually represented by the letter "e" in stock tables.

**Indicated yield**

The [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), based on the most recent [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) rate times four. To determine the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), divide the annual [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) by the price of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). The resulting number is represented as a percentage. See: [Dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield).

**Indication**

(1) Notice given by a dealer (through [Autex](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex)) or customer of an interest in buying or selling stock, sometimes including specific volume and price; (2) approximation of where a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) sees buy and sell interest to tighten the range to an [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) price.

**Indication of interest**

A [dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) or [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in purchasing (not [commitment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commitment) to buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are still in the [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) stage and are being [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_security) by the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Indication pricing schedule**

A statement of rates for an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) or [currency swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_swap).

**Indicator**

Used in the context of general equities. [Technical](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) or [fundamental](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_analysis) measurement that securities analysts use to forecast the market's direction, such as [investment advisory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_adviser) [sentiment](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sentiment_indicators), volume of stock [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), direction of [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), and buying or selling by corporate [insiders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders).

**Indifference curve**

The expression in a graph of a [utility function](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility_function), where the horizontal axis measures [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and the vertical axis measures [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return). The curve connects all [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) with the same utility.

**Indirect Claim**

Claim of a [financial intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries); the intermediary relends funds to the [deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deficit) [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) to enable it to acquire [real assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets).

**Indirect costs of financial distress**

Costs such as lost business as a result of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) or [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Indirect diversification benefits**

[Diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) benefits provided by the [multinational corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) that are not available to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) through their [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) investment.

**Indirect Exchange Rate**

The [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) price of one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of the home currency.

**Indirect method**

[Reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) in the statement of [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) that adjusts or reconciles [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) to cash from operations.

**Indirect quote**

For [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange), the number of [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) needed to buy one US dollar.

**Indirect terms**

The price of a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of domestic [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term). See: [Direct terms](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#direct_terms).

**Individual Retirement Account (IRA)**

A retirement [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) that may be established by an employed person. IRA contributions are [tax deductible](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deductible) according to certain guidelines, and the gains in the [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) are [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_income).

**Individual Retirement Account (IRA) rollover**

A provision of the law governing [IRA's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) that enables a retiree or anyone receiving a [lump-sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) payment from a [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan), [profit-sharing](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_sharing_plan), or salary reduction plan to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) the amount into an IRA.

**Individual tax return**

A tax return filed by an individual to account for their personal income and taxes payable.

**Inductive reasoning**

The attempt to use information about a specific situation to draw a conclusion.

**Industrial production**

A statistic determined by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) focusing on the total output of all US factories and mines on a monthly basis. Used as an [economic indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_indicators).

**Industrial revenue bond (IRB)**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by local government [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) on behalf of corporations.

**Industrials**

General term used in the [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) to refer to companies manufacturing, producing, or distributing goods and services.

**Industry**

The category describing a company's primary business activity. This category is usually determined by the largest portion of revenue.

**Industry allocation**

Investment of certain proportions of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) in certain [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry). Sometimes called [sector allocation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector_allocation).

**Inefficient portfolio**

Group of assets dominated by at least one other portfolio under the mean variance rule. For example, if A has both lower return and higher [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) than B, we say A is dominated by B.

**Infant industry argument**

Argument that [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) in the developing and emerging [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the economy need protection against international [competition](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competition) in order to establish themselves.

**Inflation**

The rate at which the general level of [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) for goods and services is rising.

**Inflation accounting**

Accounting practices allowing for the effects of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Inflation-escalator clause**

A clause in a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) providing for increases or decreases in [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) depending on [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in the cost of living, production costs, and so forth.

**Inflation hedge**

[Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) designed to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against inflation and the loss of [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power) associated with it.

**Inflation-indexed securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) such as [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) that [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) higher than the rate of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) if the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is held to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Inflation risk**

Also called [purchasing power risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_risk), the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that changes in the [real return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_return) the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will realize after adjusting for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) will be negative.

**Inflation uncertainty**

The fact that future inflation rates are not known. It is a possible contributing factor to the makeup of the [term structure of interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates).

**Inflexible expenses**

Expenses that cannot be adjusted or eliminated such as car payments or rental payments. Antithesis of [flexible expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flexible_expenses).

**Information Agent**

[Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) whose primary task is to disseminate and explain the details of capital [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Information asymmetry**

Condition that information is known to some, but not all, participants.

**Information Coefficient (IC)**

The [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) between predicted and actual [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), sometimes used to measure the contribution of a [financial analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_analysts). An IC of 1.0 indicates a perfect linear relationship between predicted and actual returns, while an IC of 0.0 indicates no linear relationship.

**Information content effect**

The rise in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) following a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [signal](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#signal), or publication of some other related news.

**Information costs**

[Transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs) that include the assessment of the investment merits of a financial asset. Related: [Search costs](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#search_costs).

**Information memorandum**

A document detailing the project and project financing, usually in connection with a [syndication](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Infrastructure risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the impact on project [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from infrastructure problems. Also known as transportation risk.

**Information-motivated trades**

[Trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) believes he or she possesses pertinent information not currently reflected in the [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price.

**Information Ratio**

The ratio of [annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) expected [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) to [residual risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_risk). A central measurement for [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management), [value added](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_added) is proportional to the square of the information ratio.

**Information services**

Organizations that furnish investment and other types of information, such as information that helps a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) monitor its [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Informational efficiency**

The speed and accuracy with which [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) reflect new information.

**Information Signaling**

Conveying intelligence through a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) actions. A firm's [dividend policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_policy), for example, provides signals to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) concerning the value of the firm's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Informational efficiency**

The degree to which [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) correctly and quickly reflect information and thus the true value of an [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset).

**Informationless trades**

[Trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) that are the result of either a reallocation of wealth or an implementation of an [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy) that acts only on existing information. That is, an investor might sell a large block of stock -- not because they have information that leads them to think the stock will fall in value -- but because they might need the cash for some other investment.

**Infrastructure**

A country's fundamental system of transportation, communications, and other aspects of its physical capabilities.

**Ingot**

A bar of metal such as the type that the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) uses to store gold reserves.

**Inheritance tax return**

Tax form required to determine the amount of state tax due on an inheritance.

**Initial filing**

Has various meanings. It could refer to a form that is filed with the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) in advance of a major event, such as a [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) or a [share repurchase](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#share_repurchase). It could also refer to filings that occur before legal inside transactions.

**Initial margin**

(1) Amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) deposited by both buyers and sellers of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) to ensure performance of the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the contract; (2) amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or eligible [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) required to be deposited with a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) before engaging in [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Initial margin requirement**

When buying [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin), the proportion of the total market value of the securities that the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) must pay for in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). The [Security Exchange Act of 1934](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_exchange_act_of_1934) gives the Board of Governors of the [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) the responsibility to set [initial margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_margin) requirements, but individual brokerage firms are free to set higher requirements. In [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), initial [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) requirements are set by the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Initial public offering (IPO)**

A company's first [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) offered in an IPO are often, but not always, those of young, small companies seeking outside [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) capital and a public market for their stock. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) purchasing stock in IPOs generally must be prepared to accept considerable [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) for the possibility of large gains. IPOs by [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) ([closed-end funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund)) usually include [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) fees that represent a [load](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load) to buyers.

**Initial Public Offering Spinning**

The practice of an investment bank setting aside portions of a corporation's Initial Public Offering for senior [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of that corporation.

**Initiate coverage**

(1) Firm is now followed by [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) at a particular securities house; (2) [Indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) to [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) by purchasing the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stock (this [cancels](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) out the [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position)).

**Inland Bill of Lading**

A document used as a receipt from the carrier to shipper that covers the transport of goods overland. It also acts as a contract of carriage.

**Input-output tables**

Tables that indicate how much each [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) requires of the production of each other industry in order to produce each dollar of its own output.

**Inquiry**

Used in the context of general equities. [In-line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line) expression of interest in a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), usually asking the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**In-service withdrawal**

A participant-initiated withdrawal from an employer-sponsored retirement plan while the participant is still employed by the company.

**Inside market**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Best (highest) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and best (lowest) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), often used in the [O.T.C. Market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). See: [In-line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line).

**Insider information**

Material information about a company that has not yet been made [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). It is illegal for [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of this information to make [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) based on it, however received.

**Insider trading**

Trading by officers, [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors), major [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), or others who [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) private [inside information](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_information) allowing them to benefit from buying or selling [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Insider Trading Sanctions Act of 1984**

Act imposing civil and criminal penalties for [insider trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_trading) violations.

**Insider Trading & Securities Fraud Enforcement Act of 1988 (ITSFEA)**

Federal legislation that greatly increased the penalties for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on material inside information.

**Insiders**

These are [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) and senior officers of a corporation-in effect, those who have access to [inside information](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_information) about a company. An [insider](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) also is someone who owns more than 10% of the voting [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a company.

**Insolvency risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will be unable to satisfy its [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). Also known as [bankruptcy risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy_risk).

**Insolvent**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is unable to pay [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) (its [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) exceed its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset)).

**Inspector(s) of Election**

The person(s) appointed by the Corporation to act as a judge on voting matters brought before a shareholder meeting. The inspector determines which [proxies](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) and ballots are in good form, and acceptable to be voted. They also count and record the votes, supervise and inspect the counting process and attest to the final results. They cannot be overruled on these matters, although they have no voice in the procedural aspects of the meeting itself.

**Inspector's or Judge's Certificate**

A form provided by the Corporation, and completed by the [Inspectors of Election](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inspector_of_election), attesting to the final voting results and percentages of a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) meeting.

**Installment payments**

[Distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of plan [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to beneficiaries based upon a regular schedule.

**Installment sale**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in exchange for a specified [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of payments (the [installments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#installment_payments)).

**Instinet (Institutional Networks Corporation)**

Computerized subscriber service that serves as a vehicle for the [fourth market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fourth_market). "Instinet" is [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission). As a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) it numbers among its subscribers a large number of [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) and other [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) linked to each other by computer terminals. The system permits subscribers to display [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) (which are exposed system wide for whatever length of time the initiating party specifies) and to consummate trades electronically. Instinet is largely used by [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker), but, nonmarket makers and customers have equal access.

**Institutions**

Insurance [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), [pension funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan), [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), foundations, [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), funds managers, bank [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) departments.

**Institutional broker**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who buys and sells [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) such as banks, and [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), [pensions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_fund).

**Institutional Brokers' Estimate System (IBES)**

Service that assembles [analysts'](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) estimates of future earnings for thousands of [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) traded companies, detailing how many estimates are available for each company and the high, low, and [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) estimates for each.

**Institutional investors**

Organizations that invest, including insurance companies, depository institutions, [pension funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_fund), [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company), [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), and [endowment funds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#endowment_funds).

**Institutionalization**

The gradual domination of [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) by [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors), as opposed to individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). This process has occurred throughout the industrialized world.

**Instrumentality**

[Notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) whose [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) are [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by the [full-faith-and-credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_faith_and_credit_obligations) of the government, even though the agency's responsibilities are not necessarily those of the US government.

**Instruments**

Financial [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) instruments.

**Insurable interest**

An [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) term referring to the relationship between a policy's insured person or property and the potential [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary). The beneficiary must have an insurable [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in the insured person or property to receive payment of the policy if the insured died while the policy was in force.

**Insurance**

Guarding against property loss or damage making payments in the form of [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to an insurance company, which pays an agreed-upon sum to the insured in the event of loss.

**Insurance agent**

The insurance company representative and adviser who sells insurance policies.

**Insurance broker**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), independent of any insurance company, who represents the interests of the buyer in searching for insurance coverage at the lowest cost and providing the highest benefit to the buyer.

**Insurance claim**

A claim for reimbursement from the insurance company when the insured has suffered a loss that is covered under an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Insurance dividend**

Money paid annually to [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) participating in cash value [life insurance policies](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy).

**Insurance policy**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) detailing an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) and outlining what [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) are insured, what insurance [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) are to be paid by the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder), what deductibles prevail, and all the details associated with a policy.

**Insurance premium**

Payments calculated by the insurance company based on [risk factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_factor) that must be made by the insured to [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) protection of property loss under an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Insurance principle**

The law of averages. The [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) outcome for many independent trials of an experiment will approach the [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) of the experiment.

**Insurance settlement**

The payment of [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) by an insurance company to the [insured](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insured) to settle an [insurance claim](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_claim) within the guidelines stipulated in the [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Insured**

The property or persons covered by an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Insured account**

A bank or financial [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) that is insured for the benefit of the depositor, protecting against loss in the event that the savings institution becomes [insolvent](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent). See: [FDIC](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#f.d.i.c.).

**Insured bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) backed both by the credit of the municipal [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and by commercial [insurance policies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Insured plans**

Defined benefit [pension plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) that are [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) products. Related: [Non-insured plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#non_insured_plans)

**Insured Trade Acceptance**

A [trade acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_acceptance) where the buyer's ability to pay is insured.

**Intangible asset**

A legal claim to some future benefit, typically a claim to future [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). [Goodwill](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#goodwill), intellectual property, [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent), copyrights, and [trademarks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trademark) are examples of intangible assets.

**Integer programming**

Variant of [linear programming](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#linear_programming) in which the solution values must be integers.

**Integrated financial market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which there are no barriers to financial flows, and the same [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) asset commands the same [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return), irrespective of domicile.

**Intellectual property rights**

[Patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent), copyrights, and [proprietary](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proprietorship) technologies and processes that may be the basis of a company's [competitive](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competition) advantage.

**Interbank market**

Financial institutions exchange of currencies between and among themselves.

**Interbank rate**

See: [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.)

**Interbank spread**

The difference between a bank's offer and [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) rates for deposits in the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) market.

**Intercommodity spread**

In the [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) consisting of a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) and a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in different but related [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) for example, [speculating](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculation) that the price relationship between the two [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) will change, e.g., platinum and gold.

**Intercompany loan**

[Loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) made by one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a corporation to another unit of the same corporation.

**Intercompany transaction**

[Transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) carried out between two [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of the same corporation.

**Interdelivery spread**

Used in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) or [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) market to refer the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of one month of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) and selling another month in the same [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), in the hope that the price difference will widen or narrow, depending on the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Interfund transactions**

Financial arrangements effected by payments made from one fund group (either [Federal funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds) or trust funds) to another group.

**Interest**

The price paid for [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). It is expressed as a percentage rate over a period of time and reflects the rate of [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) of present consumption for future consumption. Also, a share or title in property.

**Interest coverage ratio**

The ratio of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and taxes to annual interest expense. This ratio measures a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to pay interest.

**Interest coverage test**

A [debt limitation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_limitation) that prohibits the issuance of additional [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) if the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) interest coverage would, as a result of the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), fall below some specified minimum.

**Interest deduction**

An [interest expense](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_expense), such as [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), that is allowed as a [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) for [tax purposes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction).

**Interest during construction**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) during construction period, which usually equals [capitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) interest.

**Interest equalization tax**

Tax on foreign investment by residents of the US which was abolished in 1974.

**Interest expense**

Interest expense is the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) the corporation or individual pays out in [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Interest in Arrears**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that is due only at the [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) rather than periodically over the life of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Interest on interest**

Interest earned on [reinvestment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) of each [interest payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) on [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) invested. See: [compound interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_interest).

**Interest-only loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in which payment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) is deferred and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments are the only current [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Interest-only strip (IO)**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) based solely on the [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) from a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage), [Treasury bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds), or other [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Once the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on the mortgages or bonds has been repaid, [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) stop, and the value of the IO falls to zero.

**Interest payments**

[Contractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) payments based on the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount.

**Interest rate**

The monthly effective interest rate. For example, the [periodic rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_rate) on a credit card with an 18% [annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate) is 1.5% per month.

**Interest rate agreement**

An agreement whereby one party, for an up-front [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium), agrees to [compensate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) the other at specific time periods if a designated [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) (the [reference rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reference_rate)) is different from a predetermined level (the [strike rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price)).

**Interest rate cap**

An [interest rate agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_agreement) in which payments are made when the [reference rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reference_rate) exceeds the [strike rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price). Also called an [interest rate ceiling](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_ceiling).

**Interest rate on debt**

The [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) cost of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Interest rate ceiling**

See: [Interest rate cap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_cap)

**Interest rate floor**

An [interest rate agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_agreement) in which payments are made when the [reference rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reference_rate) falls below the strike rate. Related: [Interest rate cap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_cap).

**Interest rate futures contract**

A [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) based on an interbank deposit rate or an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [debt security](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities). The value of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) rises and falls inversely to changes in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Interest rate parity theorem**

Expression that the interest rate differential between two countries is equal to the difference between the [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) rate and the [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate).

**Interest rate parity line (IRP)**

Diagonal line on a graph that characterizes [interest rate parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_interest_rate_parity).

**Interest rate risk**

The chance that a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) value will change due to a change in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). For example, a [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) price drops as interest rates rise. For a depository institution, also called [funding risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funding_risk): The risk that [spread income](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread_income) will suffer because of a change in interest rates.

**Interest rate swap**

A binding agreement between [counterparties](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparties) to exchange periodic [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) on some predetermined dollar [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), which is called the [notional principal amount](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#notional_principal_amount). For example, one party will pay fixed and receive [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**Interest-sensitive insurance policy**

A cash value [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) whose insurance [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) rates vary with respect to [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation), enabling the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) to avoid the loss of [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power) associated with [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Interest-sensitive stock**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose earnings are dependent upon and change with the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), e.g., bank stocks.

**Interest subsidy**

The value of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) of the [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) on its [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) from its [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before calculation of its tax bill under current tax law.

**Interest tax shield**

The reduction in [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) that results from the [tax-deductibility](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deductible) of [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments).

**Interim dividend**

The declaration and payment of a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) prior to annual earnings determination.

**Interim financing**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) made to a company on the condition that a takeout will follow with [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) or intermediate financing.

**Interim rate of return**

The [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) earned between [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Interim statement**

A financial statement that reflects only a limited period of a company's financial statement, not the entire [fiscal year](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiscal_year).

**Interlocking directorate**

Describes cross-memberships of directors on each other's company [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Intermarket sector spread**

The [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rate offered in two [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) market for [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Intermarket spread swaps**

An exchange of one [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for another based on the manager's projection of a realignment of [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the bond market.

**Intermarket Surveillance Information System (ISIS)**

A database that distributes information from all the major [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in the United States.

**Intermarket Trading System (ITS)**

Electronic communications network linking the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [floors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of seven registered exchanges to permit trading among them in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) on either the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) or [AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) and one or more [regional exchanges.](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges) Through ITS, any [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of any participating [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) can reach other participants for an [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) whenever the nationwide [quote](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) shows a better price available. A [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) on the exchange can enter an ITS order to assure excecution of all of an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) or [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), instead of splitting it with competing [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Intermediary**

See: [Financial intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries)

**Intermediate targets**

An intermediate target is a variable (such as the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) supply) that is not directly under the control of the central bank, but that does respond fairly quickly to policy actions, is observable frequently and bears a predictable relationship to the ultimate goals of policy.

**Intermediate-term**

Typically one-ten years.

**Intermediate trend**

General movement in price data that lasts from three weeks to six months.

**Intermediated market**

A [financial market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) in which some [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) stands between [counterparties](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) to financial transactions.

**Intermediation**

Investment through a financial institution. Related: [Disintermediation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disintermediation).

**Intermittency**

When a non-linear [dynamical system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems) alternates between periodic and [chaotic](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos) behavior. See: [Chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos), [Dynamical Systems](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems).

**Internal auditor**

An employee of a company who analyzes the company's accounting records to that the company is following and complying with all [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations).

**Internal expansion**

Growth of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) resulting from [internal financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_finance) or internally generated [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Internal finance**

Finance generated within a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings) and [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Internal growth rate**

Maximum rate a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can expand without outside sources of funding. Growth generated by [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) retained by company.

**Internal market**

The mechanisms for issuing and trading securities within a nation, including its [domestic market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) and [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market). Compare: [External market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_market).

**Internal measure**

The number of days that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can finance operations without additional [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) income.

**Internal rate of return (IRR)**

[Dollar-weighted rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_weighted_rate_of_return). [Discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) at which [net present value (NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value)) investment is zero. The rate at which a [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow), discounted back to today, equal its price.

**Internal Revenue Code**

The various statutes and [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) making up federal tax law.

**Internal Revenue Service (IRS)**

The federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) responsible for the collection of federal taxes, including personal and corporate [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax), Social Security taxes, and [excise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excise_tax) and [gift taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gift_tax).

**Internal Revenue Service Restructuring and Reform Act of 1998**

The legislation targeted at [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) reform, particularly related to the time period required for [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) and taxpayer protection and rights.

**Internally efficient market**

See: [Operationally efficient market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operationally_efficient_market)

**International arbitrage**

Simultaneous buying and selling of foreign securities and [ADRs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts) to capture the [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) potential created by time, currency, and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) inconsistencies that vary across international borders.

**International Asset Pricing Model (IAPM)**

The international version of the [CAPM](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) assuming that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in each country share the same consumption [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) and [purchasing power parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_parity) [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold).

**International Bank for Reconstruction and Development (IBRD)**

IBRD or [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) makes [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) at nearly conventional [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) to countries for projects of high economic priority.

**International Banking Facility (IBF)**

A branch that an American bank establishes in the United States to do [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) business.

**International Bank for Reconstruction and Development (IBRD)**

Also commonly called the [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank). It is a United Nations affiliated institution that assists in the development of its poorer members by facilitating private investments, and by making and [guaranteeing](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**International bonds**

A collective term that refers to global bonds, [Eurobonds](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond), and [foreign bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_bond).

**International Chamber of Commerce (ICC)**

A business organization with membership from over 80 countries. They work to harmonize trade practices worldwide by establishing agreed upon rules such as [Incoterms](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#incoterms) and [Uniform Customs and Procedures for Documentary Credits](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uniform_customs_and_practices).

**International Depository Receipt (IDR)**

A receipt [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a bank as evidence of ownership of one or more [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of a foreign corporation that the bank [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) in [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust). The advantage of the IDR structure is that the corporation does not have to comply with all the issuing requirements of the foreign country where the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is to be traded. The US version of the IDR is the [American Depository Receipt (ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts)).

**International Development Association (IDA)**

Association established to stimulate country development; it was especially suited for less prosperous nations, since it provided [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) at low [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**International diversification**

The attempt to reduce [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) by investing in more than one nation. By [diversifying](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) across nations whose economic cycles are not perfectly [correlated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation), [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can typically reduce the variability of their [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**International Finance Corporation (IFC)**

A corporation owned by the [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) that produces a number of well-known [stock indexes](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) for [emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets). Its major role is to provide financing for projects in less developed countries.

**International finance subsidiary**

A [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) incorporated in the US, usually in Delaware, whose sole purpose once was to [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [debentures](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture_bond) overseas and invest the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) in foreign operations, with the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid to foreign [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) not subject to US [withholding tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax). Elimination of the corporate [withholding tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax) has ended the need for this type of subsidiary.

**International Fisher effect**

States that the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) differential between two countries should be an unbiased predictor of the future change in the [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate).

**International Fisher relationship**

Theory that [nominal interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal_interest_rate) and [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) rates in different countries are connected. The Fisher equation says the nominal interest rate is the product of one plus the [real interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_interest_rate) times one plus the expected rate of inflation.

**International fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that can invest only outside the United States.

**International market**

Related: [External market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_market)

**International market index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) on the [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) tracking the performance of 50 [American Depository Receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.d.r.) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.s.e.), [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.), and [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.).

**International Monetary Fund (IMF)**

An organization founded in 1944 to oversee exchange arrangements of member countries and to [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) foreign [currency reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve_currency) to members with [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [balance of payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_of_payments) problems.

**International Monetary Market (IMM)**

A division of the [CME](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange) established in 1972 for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) financial futures. Related: [Chicago Mercantile Exchange (CME](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange))

**International monetary system**

The global network of government and commercial institutions within which currency [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) are determined.

**International mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that invests strictly in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) markets throughout the world, excluding the United States. A [global fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#global_fund), on the other hand, invests in both foreign and domestic [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**International Organization for Standardization**

ISO is not an acronym but the name of a standards setting organization chartered by the United Nations. The name ISO is derived from Greek and connotes equality, i.e. each member country regardless of size or wealth gets only one vote. The ISO 4217 are the standard three letter currency codes. These codes are usually composed of the ISO 3166 two letter country code plus a third letter representing the name of the currency.

**International Petroleum Exchange (IPE)**

Energy [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) based in London.

**International Security Market Association (ISMA)**

Swiss law association located in Zurich that regroups all the participants on the [Eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) [primary](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primary_market) and [secondary markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market). Establishes uniform [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) procedures in the international bond markets.

**International Stock Exchange of the U.K. and the Republic of Ireland (ISE)**

Organization that replaced the [London Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_stock_exchange) after its [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) with the International Securities Regulatory Organization (ISRO).

**International Swap Dealers Association (ISDA)**

Formed in 1985 to promote [uniform practices](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uniform_practice_code) in the writing, [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of [swaps](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) and other [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments).

**Interpolation**

A method of approximating a price or [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) that is unknown by using numbers that are known.

**Interpositioning**

The practice of using a second [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), which is considered illegal it is if used to generate additional [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Inter vivos trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) created between living persons. Antithesis of a [testamentary trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#testamentary_trust).

**Intrabudgetary transactions**

Effected when payment and receipt both occur within the budget, or when payment is made from [off-budget federal entities](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#off_budget_federal_entities) whose budget authority and outlays are excluded from the budget totals.

**Intracommodity spread**

Used in the context of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to refer to a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold), buying, and selling [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) in the same [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) on the same [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), but for different months.

**Intracompany trade**

Transactions between or among [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) that are part of the same [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Intraday**

Term meaning "within the day," often to refer to the high and the low price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Intramarket sector spread**

The [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between two [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) within a market sector. For instance, the difference in [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rates offered for five-year industrial [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) and five-year [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds).

**Intrastate offering**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) limited to just one state in the United States.

**Intrinsic value**

The value of an option if it were to expire immediately with the underlying stock at its current price; the amount by which an option is in-the-[money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). For call options, this is the difference between the stock price, if that difference is a positive number, or zero otherwise. For [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) it is the difference between the striking price and the stock price, if that difference is positive, and zero otherwise. See also: [In-the-Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money), [Time Value Premium](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_premium), [Parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity).

**Intrinsic value of an option**

The amount by which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is [in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money). An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that is not [in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) has no intrinsic value.

**Intrinsic value of a firm**

The [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) expected future [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) discounted by the [required rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return).

**Inventory**

For companies: [Raw materials](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#raw_material), items available for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or in the process of being made ready for sale. They can be individually valued by several different means, including cost or current [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value), and collectively by [FIFO (First in, first out)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#first_in_first_out), [LIFO (Last in, first out)](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.f.o.) or other techniques. The lower value of alternatives is usually used to preclude overstating [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). For [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) firms: Securities bought and held by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) for resale.

**Inventory financing**

Used in the context of [factoring](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) and general finance to refer to [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to consumer product producers that use [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral). See also: [Inventory loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory_loan).

**Inventory loan**

A [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory). The three basic forms are a [blanket inventory lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blanket_inventory_lien), a [trust receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust_receipt), and [field warehousing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#field_warehouse) financing.

**Inventory turnover**

A measure of how often the company sells and replaces its [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory). It is the ratio of annual cost of [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to the lastest [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory). One can also interpret the ratio as the time to which inventory is held. For example a ratio of 26 implies that investory is held, on average, for two weeks. It is best to use this ratio to compare companies within an industry (high turnover is a good sign) because there are huge differences in this ratio across industries.

**Inverse floater**

A [derivative instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments) whose [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) is linked to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in an inverse relationship.

**Inverse floating-rate note**

A [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable)-rate [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) increases as a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) declines.

**Inverse order**

In the context of [periodic repayment schedules](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_payments), beginning from the end, expected [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Opposite of [current order](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_order).

**Inverted market**

A [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which the nearer months are selling at price [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to the more-distant months. Related: [Premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Inverted scale**

A [serial bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) whose [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with earlier [maturity dates](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) have higher [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) than [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with later [maturity dates](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Inverted yield curve**

When [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) are higher than [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) rates. Antithesis of [positive yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#positive_yield_curve).

**Investible Indices**

Usually refers to the Standard and Poors/International Finance Corporation emerging market indices which are weighted by the amount of market capitalization that foreigners can obtain in each company. The IFCG (Global) index weights each stock by total capitalization. The IFCI (Investible) index weighs by investible capitalization.

**Investment**

The creation of more [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) through the use of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Investment adviser**

A person or an organization that makes the day-to-day decisions regarding a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). Also called a [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager).

**Investment Advisers Act**

Legislation passed in 1940 requiring [financial advisers](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) to [register](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) with the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.). The measure was enacted to protect the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) from fraud or misrepresentation by investment advisers.

**Investment advisory service**

A business that specializes in providing [investment advice](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_adviser) for a fee. All advisers of an advisory service must be registered with the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Investment agreement**

An contract specifying the rights and responsibilities of a host government and a corporation in the structure and operation of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) project.

**Investment analysts**

Related: [Financial analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_analysts)

**Investment bank**

[Financial intermediaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries) who perform a variety of services, including aiding in the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of securities, facilitating [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) and other corporate [reorganizations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization), acting as [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to both individual and institutional clients, and trading for their own accounts. See: [Underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter).

**Investment certificate**

A document that serves as proof that an individual has an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a [savings and loan association](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association).

**Investment climate**

Factors such as economic, monetary, and other conditions that affect the performance of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Investment club**

A group of people who combine their [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) into a larger [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool), then invest collectively in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), making decisions as a group.

**Investment company**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that that invests the funds of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) appropriate for their [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) [investment objectives](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_objective) in return for a [management fee](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management_fee). See also: [Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Investment Company Act of 1940**

Legislation that requires [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) to register with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and that outlines standards by which they must operate.

**Investment Company Institute (ICI)**

A national industry group of [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company), including [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), founded in 1940.

**Investment decisions**

Decisions concerning the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) side of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet), such as the decision to offer a new product.

**Investment grade**

In the context of bond ratings, the rating level above which [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) have been authorized to invest.

**Investment-grade bonds**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is assigned a rating in the top four categories by commercial [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) companies. [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) classifies [investment-grade bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds) as BBB or higher, and Moody's classifies investment grade bonds as BAA or higher. Related: [High-yield bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_yield_bond).

**Investment history**

The history of a [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) that establishes certain norms in respect of its [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) practice.

**Investment income**

The revenue from a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of invested [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Investment letter**

A [letter of intent](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_intent) between the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the buyer, in the private placement of these new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The letter of intent establishes that the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are being bought for a minimum time period and are treated as an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), not for resale. If no such letter exists, the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) must be registered with [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Investment management**

The process of managing [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). Also called [portfolio management](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_management) and [money management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_management).

**Investment manager**

The individual who manages a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of investments. Also called a [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager) or a [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager).

**Investment objective**

The [financial objective](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_objectives) of an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). Whether the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) requires income or [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation), for example. The [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) objective governs the [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy).

**Investment opportunity set**

The universe of choices as to [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) available to an individual or corporation.

**Investment philosophy**

The style and general ideology of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) practiced by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). Certain [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) favor small-[capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), while others prefer large [blue-chip stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blue_chip_stock), for example.

**Investment policy**

Statement of objectives and constraints for an individual's or organization's approach.

**Investment product line (IPL)**

The line of [required returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) for investment projects as a function of [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) (non[diversifiable risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk)).

**Investment Risk**

Uncertainty about the future benefits to be realized from an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Investment Valuation Model (IVM)**

The basic mathematical technique of finance that calculates the value of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) as the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of all future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) expected to be generated by the investment.

**Investments**

As a discipline, the study of financial securities, such as [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), from the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) viewpoint.

**Investment software**

Computer software that helps [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) make [investment decisions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) by identifying situations that meet programmed parameters.

**Investment strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy), or plan of attack, an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) uses when deciding how to allocate [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) among several options including [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [cash equivalents](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_equivalent_items), [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), and [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate). The strategy should take into account the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) tolerance for risk as well as future needs for [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Investment strategy committee**

A committee within a brokerage firm that conducts research and makes recommendations on the firm's [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy).

**Investment Tax Credit**

Proportion of new [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) that could be used to reduce a company's tax bill (abolished in 1986).

**Investment trust**

A [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund) regulated by the [Investment Company Act of 1940](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company_act_of_1940). These funds have a fixed number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that are traded on the [secondary markets](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market), like corporate stock. The market price may exceed the [asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) per share, in which case shares are selling at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium). When the market [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) falls below the [(NAV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value))/share, shares are selling at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount). Many [closed-end funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund) are of a specialized nature; the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) represents a particular industry or, country. These funds are usually listed on US and [foreign exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange).

**Investment value**

Applies mainly to dealer securities. Fixed income value of a convertible, the price at which the convert would have to sell as a straight [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) relative to the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of other [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of like [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), or size, and quality; represents a presumed [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) to the bond, assuming the continued [creditworthiness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness) of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the general level of [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). [Bond value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_value). See: [conversion value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_value).

**Investor**

The owner of a [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets).

**Investor fallout**

In the [mortgage pipeline](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline), [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that occurs when the originator commits [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) to the [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and gets commitments from investors at the time of application, or if both sets of terms are made at [closing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close).

**Investor relations**

The process by which the corporation communicates with its [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Investor's equity**

The balance of a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account). Related: [Buying on margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_on_margin), [initial margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_margin_requirement).

**Investors service bureau**

[NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) service that deals with all general inquiries concerning [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Invoice**

Bill written by a seller of goods or services and submitted to a [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) for payment.

**Invoice billing**

Billing system in which invoices are sent off at the time of customer orders and are all separate bills to be paid.

**Invoice date**

Usually the date when goods are shipped. [Payment dates](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payment_date) are set relative to the invoice date.

**Invoice price**

The price that the buyer of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) must pay the seller when a [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) is [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Involuntary liquidation preference**

A [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) that must be paid to [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) or preference [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) if the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is forced into involuntary [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**IPO Spinning**

See [Initial Public Offering Spinning](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering_spinning).

**IRA/Keogh accounts**

Special accounts that allow saving taxes [deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes) until [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is withdrawn. These plans are subject to frequent changes in law with respect to the deductibility of contributions. Withdrawals of [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes) contributions are taxed as income, including the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) from such accounts.

**Irredeemable bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) lacking a [call feature](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_feature) or a right of [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption). Also refers to a [perpetual bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#perpetual_bond).

**Irrational call option**

The [implied call](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#implied_call) imbedded in a [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities). Irrational because the call is sometimes not exercised when it is [in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money) ([interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) are below the threshold to refinance), and sometimes [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) when it is not in the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). Option exercise like this affects payments on the MBS.

**Irrelevance result**

The [Modigliani and Miller](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modigliani_and_miller_proposition_i) theorem that a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) is irrelevant to the firm's value.

**Irrevocable letter of credit**

Assurance of funds issued by a bank that cannot be [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) or amended without the beneficiary's approval.

**Irrevocable trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) that is unable to be amended, altered, or revoked.

**Islamic Loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) cannot be charged on. Instead, the loan is structured using [discounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount), [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or lease, [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) participation, or [repurchase agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement).

**Issue**

A particular financial [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Issued share capital**

Total amount of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that have been [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Related: [Outstanding shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_shares).

**Issuer**

An entity that puts a [financial asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets) in the marketplace.

**Issuing bank**

Bank that issues a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit).

**Istanbul Stock Exchange**

The sole securities exchange in Turkey.

**Italian Derivatives Market (IDEM)**

A [derivatives market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_markets) operated by the Italian Stock Exchange Council. It [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the 30 index and individual [stock options](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option). See: [Italian Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#italian_stock_exchange).

**Italian Exchange (Borsa Italiana)**

Italy's major securities exchange.

**Italian Stock Exchange (ISE)**

The Milan-based [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges), which came into effect after the unification of Italy's ten national [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in 1991. All listed [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) electronically. The main [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) are the MIB and the MIBTEL, based on the prices of all listed [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), and the MIB 30, based on a sample of the 30 most [liquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) and highly capitalized [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Itemized deduction**

Specific [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) allowed by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) outlined in the tax return.

**"It's us,"**

Used in the context of general equities. "The [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), and not a customer, is the party involved."

**J**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying the issue is the voting [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**JM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for JAMAICA.

**JMD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Jamaican Dollar.

**JO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for JORDAN.

**JOD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Jordanian Dinar.

**JP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for JAPAN.

**JPY**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Japanese Yen.

**Jasdaq**

See: [Japanese Association of Securities Dealers Automated Quotation System](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#japanese_association_of_securities_dealers_automated_quotation_system)

**JSE**

See: [Johannesburg Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#johannesburg_stock_exchange)

**J-curve**

Theory that says a country's [trade deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_deficit_or_surplus) will initially worsen after its [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [depreciates](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) because higher [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) on foreign imports will more than [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) the reduced volume of imports in the short run.

**Jakarta Stock Exchange**

Established in 1977, the largest securities exchange in Indonesia.

**January effect**

Refers to the historical pattern that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices rise in the first few days of January. Studies have suggested this holds only for small-[capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) stocks. In recent years, there is less evidence of a January effect.

**Japanese Association of Securities Dealers Automated Quotation System (Jasdaq)**

Japanese equivalent of [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.).

**Jeep**

See: [Graduated payment mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#graduated_payment_mortgages)

**Jensen index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that uses the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) to determine whether a [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) outperformed a [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index). The [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) or [investment manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_manager).

**Jobber**

A term for a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) used on the [London Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_stock_exchange).

**Johannesburg Stock Exchange (JSE)**

Established in 1886, the Johannesburg Stock Exchange is the only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in South Africa. Gold and mining stocks form the majority of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) listed.

**Joint account**

An agreement between two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to share [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) responsibility in purchasing or [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), or an [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) owned jointly by two or more persons at a bank or brokerage house.

**Joint and survivor annuity**

A type of [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) opened by and intended for two people, that makes payments for the entire lifetime of both [beneficiaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary), even if one of them dies.

**Joint bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is guaranteed by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and a party other than the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Joint clearing members**

[Firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [clear](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear) on more than one [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Joint float**

An arrangement by which a group of [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) maintain a fixed relationship relative to each other, but move jointly relative to another currency in response to supply and demand conditions in the exchange market.

**Joint stock company**

A form of business organization that falls between a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and a [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership). The [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) sells [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), and its [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) are free to sell their stock, but shareholders are liable for all [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) of the company.

**Joint venture**

An agreement between two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to undertake the same business [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) and plan of action. See: [Incorporated joint venture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#incorporated_joint_venture) and Unicorporated joint venture.

**Jointly and severally**

[Municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) in which the [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) is undivided and [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) members are responsible for unsold [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in proportion to their participation, regardless of how many bonds they may have already sold. A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with 20% of the [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) is responsible for selling 20% of the unsold [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) even if has already sold 25% of the total [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), for example. See: [Severally but not jointly](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#severally_but_not_jointly).

**Joint tax return**

Tax return filed by two people, usually spouses.

**Joint tenants with right of survivorship**

In the case of a [joint account](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joint_account), on the death of one [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) holder, ownership of the account [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is transferred to the remaining [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) holder or holders.

**Joint venture**

An agreement between two or more [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to undertake the same business strategy and plan of action.

**Jonestown defense**

An extreme defensive tactic employed by the [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of a [target corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to prevent a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover). The defensive tactics are so extreme that they typically lead to the destruction of the target corporation. See: [Suicide](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#suicide_pill).

**Joseph Effect**

The tendency for persistent [time series](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_series_models) (0.50<H<1.00), to have [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) and [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cycles). The term "Joseph Effect" was coined by Mandelbrot in reference to Joseph's interpretation of Pharaoh's dream of seven fat years followed by seven lean years.

**Jumbo certificate of deposit**

A [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) in increments of $100,000.

**Jumbo loan**

[Loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of $1 billion or more. Or, loans that exceed the statutory size limit eligible for [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [securitization](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securitization) by the federal [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency).

**Jump ball**

Used in the context of general equities. (1) Deal in which no [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) house has [exclusivity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exclusive) (each [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is in direct competition for a piece of business); (2) no preference in picking a particular side ([buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) as [profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profile_buyer_seller), indicated during the [block call](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_call), indicate that the sales force could have the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) either way.

**Junior debt (subordinate debt)**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) whose holders have a claim on the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) only after senior [debtholder's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtholder) claims have been satisfied. [Subordinated debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debt).

**Junior issue**

A [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) from one [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) over which the issue of another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) takes precedence with respect to [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), or [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in the event of [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Junior mortgage**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) that will be satisfied only after more senior mortgages have been satisfied. E.g., a first mortgage will be satisfied prior to a second or a third mortgage.

**Junior refunding**

Issuing of new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to refinance government [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that matures in one to five years.

**Junior security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that has a lower-priority claim on a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and income than a [senior security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#senior_security). For example [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) is junior to [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Junk bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a speculative [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) of BB ([S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p)) or BA (Moody's) or lower. Junk or [high-yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_yield_bond) bonds offer [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) higher yields than bonds of financially sound companies. Two agencies, [Standard & Poors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) and Moody's Investor Services, provide the rating systems for [companies'](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Jury of executive opinion**

A method of [forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) using a composite forecast prepared by a number of individual experts. The experts form their own [opinions](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_opinion) initially from the data given, and revise their opinions according to the others' opinions. Finally, the individuals' final opinions are combined.

**"Just me asking"**

Used in the context of general equities. "Not a customer request for information."

**Just-in-time inventory systems**

Systems that schedule materials to arrive exactly when they are needed in the production process.

**Just title**

See: [Clear title](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear_title)

**Justified price**

The [fair market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_market_price) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**K**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) has no voting rights.

**KCBT**

See: [Kansas City Board of Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kansas_city_board_of_trade)

**KE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KENYA.

**KES**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Kenyan Shilling.

**KG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KYRGYZSTAN.

**KGS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Kyrgyzstan Som.

**KH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CAMBODIA.

**KHR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Cambodian Riel.

**KI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KIRIBATI.

**KLCE**

See: [Kuala Lumpur Commodities Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kuala_lumpur_commodities_exchange)

**KLOFFE**

See: [Kuala Lumpur Options and Financial Futures Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kuala_lumpur_options_and_financial_futures_exchange)

**KLSE**

See: [Kuala Lumpur Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kuala_lumpur_stock_exchange)

**KMF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Comoros Franc.

**KN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAINT KITTS AND NEVIS.

**KP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KOREA, DEMOCRATIC PEOPLE'S REPUBLIC OF.

**KPW**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the North Korean Won.

**KR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KOREA, REPUBLIC OF.

**KRW**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the South Korean Won.

**KW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KUWAIT.

**KWD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Kuwait Dinar.

**KY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CAYMAN ISLANDS.

**KYD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Cayman Islands Dollar.

**KM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for COMOROS.

**KZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for KAZAKSTAN.

**KZT**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Kazakhstan Tenge.

**Kaffirs**

South African gold mining [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [London Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_stock_exchange).

**Kangaroos**

Australian stocks.

**Kansas City Board of Trade (KCBT)**

The U.S.-based futures and options exchange for no. 2 red wheat futures and, options, Value Line Index futures and Mini Value Line futures and options.

**Kappa**

The ratio of the dollar price change in the price of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to a 1% change in the expected [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility).

**Karachi Stock Exchange**

The major securities exchange of Pakistan.

**Keiretsu**

A network of Japanese [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) organized around a major bank. The term is also used outside of Japan to describe how a large [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) with many [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) and associated [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can manipulate revenues. For example, firm A and B are [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) by firm C. Firm A is forced to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) its input from firm B at a high price. As a result, A is unprofitable and B is very profitable.

**Keogh plan**

A type of [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_fund) account in which taxes are [deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes). Available to those who are [self-employed](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_employed_income).

**Key industry**

An [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) that plays a critical role in a nation's economy.

**Key man (or woman) insurance**

A [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to insure the life of a key executive. The company is the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) in case of the executive's death.

**Keynesian economics**

An economic theory of British economist, John Maynard Keynes that active government intervention is necessary to ensure economic growth and stability.

**"Kick it out"**

Used in the context of general equities. "[Liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) (sell a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long)/cover a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short)) without regard to price."

**Kickback**

In the context of [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), refers to [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) of [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) by [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [finance companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance_company) for [discounting](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) installment [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) paper.   
In the context of [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), refers to secret payments made to insure that the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) goes to a specific [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Kicker**

An additional feature of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that increases its marketability and attractiveness to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Kiddie tax**

Tax owed for the [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income) of children if the amount is more than $1,400.

**Killer bees**

Those who aid a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in fending off a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), usually [investment bankers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) who devise [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) to make the [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) less attractive or more difficult to [acquire](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer).

**Kiting**

Used in banking to refer to the practice of depositing and drawing [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) at two or more banks and taking advantage of the time it takes for the second bank to collect funds from the first bank.   
Also refers to illegally increasing the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) by changing the numbers on the check.   
In the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), refers to the manipulation and [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices.

**Knock-out option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that- is worthless at [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) if the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) price reaches a specific price level.

**Know your customer**

An ethical foundation of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) that an adviser who recommends the [purchase or sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase_and_sale) of any [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to a customer, must believe that the recommendation is suitable for the customer, given the customer's financial situation.

**Kondratieff Wave**

An economic theory of the Soviet economist Kondratieff stating that the economies of the western world are susceptible to major up-and-down "supercycles" lasting 50 to 60 years.

**Korea Stock Exchange**

The major securities market of Korea.

**Kruggerand**

A [gold coin](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_coins) minted by the republic of South Africa that typically sells for slightly higher prices than the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the gold it contains.

**Kuala Lumpur Commodities Exchange (KLCE)**

The Malaysian commodity exchange for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) in crude palm oil, crude palm kernel oil, tin, rubber, and cocoa.

**Kuala Lumpur Options and Financial Futures Exchange (KLOFFE)**

Established in 1995, the Kuala Lumpur Options and Financial Futures Exchange offers equity derivative products based on underlying instruments traded on the [Kuala Lumpur Stock Exchange (KLSE)](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kuala_lumpur_stock_exchange).

**Kuala Lumpur Stock Exchange (KLSE)**

Established in 1973, the Kuala Lumpur Stock Exchange (KLSE) is the only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Malaysia.

**Kurtosis**.

Measures the fatness of the tails of a probability distribution. A fat-tailed distribution has higher-than-normal chances of a big positive or negative realization. Kurtosis should not be confused with [skewness](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#skewness), which measures the fatness of one tail. Kurtosis is sometimes referred to as the [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) of volatility.

**L**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is a class of stock such as third [preferred](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) class of warrants, foreign preferred, sixth class of preferred stock, or preferred when issued stock.

**LA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LAO PEOPLE'S DEMOCRATIC REPUBLIC.

**LAK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Laos New Kip.

**LB**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LEBANON.

**LBO**

See: [Leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout)

**LBP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Lebanese Pound.

**LC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAINT LUCIA.

**LCL**

See: [Less Than Container Load](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#less_than_container_load)

**LDC**

See: [Less developed countries](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#less_developed_countries)

**LEAPS**

See: [Long-Term Anticipation Securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_equity_anticipation_securities)

**LI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LIECHTENSTEIN.

**LIBOR**

See: [London Interbank Offered Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_interbank_offered_rate)

**LIFFE**

See: [London International Financial Futures and Options Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#london_international_financial_futures_and_options_exchange)

**LIFO**

See: [Last in, first out](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#last_in_first_out)

**LK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SRI LANKA.

**LKR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Sri Lankan Rupee.

**LDs**

See: [Liquidated damages](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidated_damages)

**LOC**

See: [Letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit)

**LP**

See: [Limited partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partner)

**LR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LIBERIA.

**LRD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Liberian Dollar.

**LS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LESOTHO.

**LSL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Lesotho Loti.

**LT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LITHUANIA.

**LTL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Lithuanian Litas.

**LTV**

See: [Loan-to-value ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan_to_value_ratio)

**LU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LUXEMBOURG.

**LUF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Luxembourg Franc.

**LV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LATVIA.

**LVL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Latvian Lats.

**LY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for LIBYAN ARAB JAMAHIRIYA.

**LYD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Libyan Dinar.

**LYON**

See: [Liquid yield option note](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquid_yield_option_note)

**Ladder strategy**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) construction [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_invested) approximately equal amounts in every [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) within a given [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range).

**Lady Macbeth Strategy**

[Strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which a third party poses as a [white knight](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_knight) in a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), and then joins forces with an unfriendly bidder.

**Laffer curve**

A curve conjecturing that economic output will increase if marginal [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) are cut. Named after economist Arthur Laffer.

**Lag**

Payment of a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) later than is expected or required, as in [lead](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead) and [lag](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lag). Also, the number of periods that an [dependent variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#independent_variable) in a [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) model is "held back" in order to predict the [dependent variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dependent_variable).

**Lag response of prepayments**

A delay of typically about three months between the time the [weighted-average coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_coupon) of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) crosses the threshold for refinancing and observation of an acceleration in [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) speed is observed.

**Lagging**

[Strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) used by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to stall payments, normally in response to [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) projections.

**Lagging indicators**

[Economic indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_indicators) that follow rather than precede the country's overall pace of economic activity. See also: [Leading indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leading_economic_indicators) and [coincident indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coincident_indicators).

**Laisse-faire**

Doctrine that a government should not interfere with business and economic affairs.

**Lambda**

The ratio of a change in the [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) to a small change in the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility). It is the partial [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) of the [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) with respect to the option volatility.

**Land contract**

A method of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance); a mortgage-holding seller finances a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) by taking a down payment and subsequent payments in [installments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#installment_payments), but [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the title until the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) is fully repaid.

**Landlord**

A property owner who [rents](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent) property to a [tenant](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tenant).

**Lapsed option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that no longer has any value because it has reached its [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) without being [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Large-cap**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a high level of [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital), usually at least $5 billion [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Lagging indicators**

[Economic indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_indicators) that follow rather than precede the country's overall pace of economic activity. See also: [Leading indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leading_economic_indicators) and [coincident indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coincident_indicators).

**Last in, first out (LIFO)**

An accounting method that fixes the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of goods sold to the most recent [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase). Hence, if prices are generally rising, LIFO will lead to lower accounting [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Last sale**

The most recent [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) performed in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Last split**

After a [stock split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split_stock), the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) for each share held and the date of the distribution.

**Last trading day**

The final day under an [exchange's](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) rules during which [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) may take place in a particular [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) or [options contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract). Contracts [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) at the end of the last trading day must be [settled](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) by [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of[underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [physical commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity) or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), or by agreement for monetary settlement, depending [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) specifications.

**Late charge**

A fee a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [grantor](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) charges a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) for a late payment.

**Late tape**

A delay in the display of price changes on the [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) because of heavy [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). In severe instances the first digit of each price is intentionally deleted.

**Late trading**

Late trading of mutual fund shares occurs when investors placing trades after 4 PM receive the 4 PM price. These late traders can use the information revealed after 4 PM to guide their trades: buying funds when their current value is greater than their 4 PM value and selling the funds when the reverse is true. Doing so allows them to earn expected abnormal returns at the expense of the fund's long-term shareholders.

**Latent default**

A potential [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) that may have always been present but unidentified.

**Launder**

To move illegally acquired [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) through [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) systems so that it appears to be legally acquired.

**Law of large numbers**

The [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) of a random sample approaches the mean ([expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value)) of the population as sample size increases.

**Law of one price**

An economic rule stating that a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) must have the same price no matter how the security is created. If the payoff of a security can be synthetically created by a package of other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), the implication is that the price of the package and the price of the security whose payoff it replicates must be equal. If it is unequal, an [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunity would present itself.

**Lay off**

In the context of general equities, this eliminates all or part of a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) by finding customers or other [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to take the position.

**Layup**

Used in the context of general equities. Easily [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) or [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). See: [Lead pipe](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_pipe).

**Lead**

Payment of a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) earlier than is expected or required.

**Lead arranger**

The senior tier of [arranger](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arranger)

**Lead bank**

A senior bank involved in the negotiations for a project financing.

**Lead Manager**

Subordinate to an [arranger](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arranger).

**Lead pipe**

Used in the context of general equities. Virtually certain that [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) will take place; lead pipe cinch. See: [Layup](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#layup).

**Lead regulator**

A leading [self-regulatory organization](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_regulatory_organization) that over sees compliance with a particular section of the law, such as the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.), [ASE](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ase), or [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.).

**Lead underwriter**

The head of a [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that are sponsoring an [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or a secondary offering of securities. Could also apply to [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Leader**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or group of stocks that is the first to move in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) upsurge or downturn.

**Leading**

[Strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) used by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to accelerate payments, normally in response to [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) expectations.

**Leading economic indicators**

Economic [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) that tend to rise or fall in advance of the rest of the economy.

**Leading indicator**

A change in a measurable economic [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) that is evident before the economy starts to follow a specific [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Leading and lagging**

Refers to [timing](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#timing) of [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) within a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Leading the market**

In the context of general equities, this is a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or group of stocks moving with the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as a whole, but moving in advance of the general market.

**League tables**

A ranking of [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and advisors according to the [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting), final take, or number of project [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or advisory mandates.

**Leakage**

Release of information selectively or not before official [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) announcement.

**Lease**

A [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [rental agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rental_lease), and a form of [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Lease acquisition cost**

The legal fees and other [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) incurred when acquiring a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease).

**Leasehold**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) providing the right to use property under a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) agreement.

**Leasehold improvement**

An improvement made to [leased](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) property.

**Lease-purchase agreement**

An agreement that allows for portions of [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) payments to be used to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the leased property.

**Lease rate**

The payment per period stated in a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Lease term**

The life of a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), including any renewal [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Leaseback**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that involves the [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of some property, and an agreement by the seller to [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) the property back from the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) after the sale.

**Leaves**

Used in the context of general equities. Remains to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell of a previously entered [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) after a [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) of [partial](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partial) [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) has been given. If the [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) to buy 20M IBM at $115, and he then buys 6M at this price, his report would be, "You bought 6M IBM at $115; leaves 14."

**Ledger cash**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) balance as reported in its [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement). Also called [book cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_cash).

**Leg**

A prolonged [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in stock [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices), such as a multiple-period [bull market](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull_market); or, an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that is one side of a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). See: [Lifting a leg](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lifting_a_leg).

**Leg up**

Used in the context of general equities. (1)Have a portion of the [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) side of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [in your pocket (spoken for)](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spoken_for) so your [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) in the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) is reduced. ([Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of 10,000 of a 50,000 [buy order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_order) leaves the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) a "leg up".) (2) Complete one side of a two-sided transaction, as in a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) or [contingency order](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingency_order).

**LEGAL**

A computerized database maintained by the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) to keep track of enforcement actions, [audits](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#audit), and complaints against [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm). This [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) is not an acronym but is referred to in capitals.

**Legal capital**

Value at which a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are recorded in its [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book).

**Legal bankruptcy**

A legal proceeding for [liquidating](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) or [reorganizating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) a business.

**Legal defeasance**

The deposit of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and permitted [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), as specified in the [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture), into an [irrevocable trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#irrevocable_trust) sufficient to enable the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to fully discharge its [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) under the [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture).

**Legal entity**

A person or organization that can legally enter into a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), and may therefore be sued for failure to comply with the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the contract.

**Legal investments**

[Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that a [regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) entity is permitted to make under the rules and regulations that govern its conduct.

**Legal list**

A list of high-quality [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) chosen by a state [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that are acceptable [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) for [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) institutions.

**Legal monopoly**

A government-[regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is legally entitled to be the only [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) a particular service in a particular area.

**Legal opinion**

A statement, usually written by a specialized law [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), required for a new [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) stating that the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is legally acceptable.

**Legal risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the impact of a defect in the documentation on [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) or [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Legal transfer**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that requires special documentation in addition to standard [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_power) or [bond power](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_power) to be legally valid.

**Legislative risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that new or changed legislation will have a large positive or negative effect on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Legitimate**

Used in the context of general equities. Real interest in [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) as compared to a [profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profile_buyer_seller) stance. See: [Natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural).

**Lehman Brothers Adjustable-Rate Mortgage Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes all [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency)-[guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) that periodically adjust based on a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) over a published [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Lehman Brothers Aggregate Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the Lehman Brothers Government/Corporate Bond Index, Mortgage-Backed Securities Index, and [Asset-Backed Securities Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_backed_security), including [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are of [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds) quality or better, have at least one year to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), and have an [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of at least $100 million.

**Lehman Brothers California Municipal Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds), [tax-exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond), and fixed-rate bonds issued in California. All [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) have [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) (greater than two years) and are selected from [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) larger than $50 million.

**Lehman Brothers Corporate Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes all [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), fixed-rate, nonconvertible, dollar-[denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination), [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-registered, [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds) corporate [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Lehman Brothers Government Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the [Treasury Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) Index and the Agency Bond Index as well as the 1-3 Year Government Index and the 20+ Year Treasury Index.

**Lehman Brothers Government/Corporate Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the Lehman Brothers® [Government](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) and [Corporate Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) indexes, including U.S. government [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities) and [agency securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_securities) as well as [corporate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) and [Yankee bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yankee_bonds).

**Lehman Brothers Mortgage-Backed Securities Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes 15- and 30-year fixed-rate [securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) backed by mortgage pools of the [Government National Mortgage Association (GNMA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association), [Federal Home Loan Mortgage Corporation (FHLMC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac), and Federal National Mortgage Association (FNMA).

**Lehman Brothers Municipal Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds), [tax-exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond), and fixed-rate bonds with [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) (greater than two years) selected from [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) larger than $50 million.

**Lehman Brothers New York Municipal Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds), [tax-exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond), and fixed-rate bonds [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the state of New York. All [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) have [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) (greater than two years) and are selected from [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) larger than $50 million.

**Lemon**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with poor results.

**Lemons problem**

Named after 2001 Nobel Laureate George Akerlof's 1970 paper "The Market for Lemons". His original example had to do with used cars. Why does the seller want to get rid of the car? It might be a lemon. The [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and seller have asymmetric information. Hence, the buyer will demand a deep [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) on the car because of the possibility it is a lemon.

**Lend**

To provide [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) temporarily on the condition that it or its equivalent will be returned, often with an [interest fee](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Lendable funds**

The [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of funds available to [borrows](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow); typically categorized by [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Lender**

Businesses that provide [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to others.

**Lender of last resort**

Traditionally the [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) in the US, which assists banks that face large withdrawals of funds and in so doing stabilizes the banking system.

**Lender liability lawsuits**

Legal action of [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) against [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) that alleges unfair enforcement of [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [covenants](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covenant) or violation of implied [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of a loan agreement.

**Lending agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) regarding funds [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) between a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) and a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Lending at a premium**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) from one [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to another of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to cover a customer's [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position), with a [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) fee included. A fee is unusual since [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are normally lent freely between [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Lending at a rate**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid to a customer on the [credit balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_balance) received from a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Lending securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from a [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), from another customer's [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), or from another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), when a customer is required to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Leptokurtosis**

The condition of a [probability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) density curve to have fatter tails and a higher peak at the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) than the [normal distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_distribution).

**Less-developed countries (LDCs)**

Also known as [emerging markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#emerging_markets). Countries who's per capita [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_national_product) is below a [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank)-determined level.

**Less Than Container Load**

Shipments of less than container load size (<$50,000).

**Lessee**

An entity that [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) from another entity.

**Lessor**

An entity that [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to another entity.

**Letter of Administration**

A [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the Court evidencing the appointment of the Administrator of an Estate.

**Letter of comment**

A communication to the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) from the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) that suggests changes to its [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement).

**Letter of credit (LOC)**

A form of [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) of payment [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a bank on behalf of a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that assures the payment of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and repayment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issues.

**Letter of Guarantee**

A letter from a bank to a brokerage firm which states that a customer (who has written a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option)) does indeed own the underlying stock and the bank will [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) if the [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) is assigned. Thus the call can be considered covered. Not all brokerage firms accept letters of guarantee. Also: letter issued to Option Clearing Corporation by [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) covering a guarantee of any [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) made by one of its customers, (a trader or broker on the exchange [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor)).

**Letter of intent**

An assurance by a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) that a certain amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) will be [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_invested) monthly, in exchange for lower [sales charges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge). In [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger), a preliminary [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) agreement between [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) after significant negotiations.

**Letter stock**

Privately placed [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), so-called because the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) requires a letter from the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) stating that the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is not intended for resale.

**Letter of Testamentary**

A [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the court evidencing the appointment of an executor of estate.

**Letter of Transmittal**

A document used by security [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to accompany [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) surrendered in an exchange or other corporate action.

**Level**

Used in the context of general equities. Price measure of an [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication).

**Level-coupon bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a stream of [coupon payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_payments) that remain the same throughout the life of the bond.

**Level debt service**

A municipal [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) provision that [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) payments must be relatively equal from year to year so that required revenue projections are easier.

**Level load**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that charges a permanent [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge), usually at some fixed percentage. See: [Front-end loads](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#front_end_load) and back-end loads.

**Level pay**

Scheduling [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments (P&I](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments)) due under a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) so that total monthly payment of P&I is the same. Different from the typical mortgage for which the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payment component of the monthly payment becomes gradually greater while the monthly interest component shrinks.

**Level term insurance**

A [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) with a fixed [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) and increasing [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Leverage**

The use of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) financing, or property of rising or falling at a proportionally greater amount than comparable [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments). For example, an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is said to have high leverage compared to the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) because a given price change in the stock may result in a greater increase or decrease in the value of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). Also, commonly known as Gearing in Europe.

**Leverage clientele**

A group of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) who, because of their personal [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage), seek to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_invested) in [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that maintain a compatible degree of corporate leverage.

**Leverage ratios**

Measures of the relative value of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization), and [creditors obligations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor), and of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to pay [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charges. Value of firm's [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to the total value of the firm (debt plus stockholder capitalization).

**Leverage rebalancing**

Making [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) to adjust ([rebalance](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rebalancing)) a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [leverage ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage_ratios) to a target ratio.

**Leveraged beta**

The [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of a [leveraged](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) [required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return); that is, the beta as adjusted for the degree of leverage in the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure).

**Leveraged buyout (LBO)**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) used to take a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) private that is [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) through [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) such as bank [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Because of the large amount of debt relative to [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in the new corporation, the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are typically rated below [investment-grade](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_grade_bonds), properly referred to as [high-yield bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_yield_bond) or [junk bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#junk_bond). [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can participate in an LBO through either the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of the debt (i.e., purchase of the bonds or participation in the bank [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan)) or the purchase of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) through an LBO fund that specializes in such [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments).

**Leveraged company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that has [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) in its [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure).

**Leveraged equity**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that relies on [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage). [Holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of [leveraged equity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_equity) experience the benefits and [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of using [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Leveraged investment company**

An [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) entitled to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) for its operations. Also, an investment company that [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) both income [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) and capital [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Leveraged lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) arrangement under which the [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) [borrows](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) a large proportion of the funds needed to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). The [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on the assets and a pledge of the lease payments to secure the borrowing.

**Leveraged portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that includes [risky assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risky_asset) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) with funds [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Leveraged recapitalization**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). A [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) takes on significant additional [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) with the purpose of either paying an extraordinary [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or repurchasing [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), leaving the public [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) with a continuing interest in a more financially [leveraged](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) company. Popular form of [shark repellent](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant) See: [Stub](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stub).

**Leveraged required return**

The [required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) when the investment is [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) partially by [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Leveraged stock**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) with [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit), such as that [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) on a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account).

**Levered portfolio**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) at least partially [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Liability**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), or the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [outlay](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outlays) that must be made at a specific time to satisfy the [contractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of such an obligation.

**Liability funding strategies**

[Investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy) that select [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) so that [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) will equal or exceed the client's [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Liability insurance**

Insurance guarding against damage or loss that the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder), may cause another person in the form of bodily injury or property damage.

**Liability swap**

An [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) used to alter the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) characteristics of an institution's [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) so as to provide a better match with its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**License agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) by which a domestic [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) (the licensor) allows a foreign company (the licensee) to market its products in a foreign country in return for [royalties](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#royalty), fees, or other forms of [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation).

**Licensing**

Arrangement in which a local [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in the host country produces goods in accordance with another firm's (the [licensing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#licensing) firm's>) specifications; as the goods are sold, the local firm can retain part of the [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Lien**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) interest in one or more [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) in exchange for [secured debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt)financing.

**Life annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) that pays a fixed amount for the lifetime of the annuitant.

**Life cycle**

The lifetime of a product or business, from its creation to its demise or transformation.

**Life expectancy**

The length of time that an average person is expected to live, which is used by insurance [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) use to make projections of benefit payouts.

**Life insurance**

An [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that pays a monetary benefit to the insured person's survivors after death.

**Life insurance in force**

The dollar amount of [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) that a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) has [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), measured as the sum of policy [face values](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) and [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid.

**Life insurance policy**

The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that sets out the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) coverage.

**Lifetime reverse mortgage**

A type of [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) in which a homeowner [borrows](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) against the value a home, while retaining title, and making no payments while residing in the home. When the owner ceases living in the house, the property is sold, and the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) repaid.

**Lift**

An increase in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices, as shown by some [economic indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_indicators).

**Lifted**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Having an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) taken in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), followed by the [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) raising the offer price.

**Lifting a leg**

Closing out one side of a long-short [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) before the other is closed.

**Lighten up**

Selling some part of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to realize capital gains or to [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) or increase [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Lima Stock Exchange**

Peru's major securities market.

**Limit**

See [Trading Limit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_limit).

**Limit Cycles**

An attractor for non-linear [dynamic systems](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems) which has periodic [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) or orbits in [phase space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space). An example is an undamped pendulum which will have a closed circle orbit equal to the amplitude of the pendulum's swing. See: [Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor), [Phase Space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space).

**Limit on close order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the closing price only if the price is at a predetermined level or better.

**Limit order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at or below a specified price, or to sell a stock at or above a specified price. For instance, you could tell a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) "[buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) me 100 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of XYZ Corp at $8 or less" or "sell 100 shares of XYZ at $10 or better" The customer specifies a price, and the order can be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) only if the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) reaches or betters that price. A conditional [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) designed to avoid the danger of adverse unexpected price changes.

**Limit order book**

A record of [unexecuted](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [limit orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) maintained by the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist). These [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) are treated equally with other orders in [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of priority of [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Limit order information system**

The electronic system supplying information about [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on participating [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) so that the best securities prices can be found.

**Limit price**

See: [Maximum price fluctuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maximum_price_fluctuation)

**Limit up, limit down**

The maximum price change allowed for a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) per [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) day.

**Limitation on asset dispositions**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to sell major [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Limitation on conversion**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Possible delay in convertibility. More frequently, the right to convert may be terminable prior to a [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) date, preventing the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) from receiving a final [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) or [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). See: [Accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest).

**Limitation on liens**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to grant [liens](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Limitation on merger, consolidation, or sale**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to [merge](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or consolidate with another firm.

**Limitation on sale-and-leaseback**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to enter into [sale-and-leaseback](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale_and_lease_back) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) techniques that could affect [creditor thinness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness).

**Limitation on subsidiary borrowing**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that restricts in some way a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) at the level of firm [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary).

**Limited company**

A form of business commonly used in the U.K. comparable to incorporation in the U.S.

**Limited discretion**

Permission by a client that allows a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to make certain [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) without first consulting the client about the trade.

**Limited flexibility exchange rate system**

The [International Monetary Fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_fund) name for an [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) system with a [managed float](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#managed_float).

**Limited liability**

Limitation of [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to what has already been [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_invested).

**Limited-liability instrument**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), in which the owner can lose only the initial [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments).

**Limited partner**

A partner who has [limited legal liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_liability) for the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership).

**Limited partnership**

A [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) that includes one or more partners who have [limited liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_liability).

**Limited payment policy**

[Life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) providing full life protection but requiring [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) for only part of the customer's lifetime.

**Limited recourse**

A term describing a type of [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in which the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has limited or no claim against the [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) if the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) is insufficient to repay the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt). See:[Nonrecourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonrecourse).

**Limited risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) inherent in [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), which is much lower than that of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), which has unlimited [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). The maximum loss in [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), for example, is the [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) paid for the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Limited price order**

Used in the context of general equities. See: [Limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order).

**Limited-tax general obligation bond**

A general [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of a government backed by specified or constrained revenue sources.

**Limited warranty**

A warranty with certain conditions and limitations on the parts covered, type of damage covered, and/or time period for which the agreement is good.

**Line of credit**

An informal [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) arrangement between a bank and a customer allowing the customer to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) up to a prespecified amount.

**Linear programming**

Technique for finding the maximum value of some equation, subject to stated linear constraints.

**Linear regression**

A statistical technique for fitting a straight line to a set of data points.

**Linking method**

Method for calculating [rates of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) that multiplies one plus the interim rate of return.

**Lintner's observations**

John Lintner's work (1956) suggests that [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) policy is related both a target level, and to the speed of adjustment of change in dividends.

**Lipper Mutual Fund Industry Average**

The average level of performance for all [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), as [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) by Lipper Analytical Services.

**Liquid**

Easily [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) or converted to [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Liquid asset**

[Asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that is easily and cheaply turned into [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash)-notably, cash itself and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Liquid market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) allowing the [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling of large quantities of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) at any time and at low [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Liquid yield option note (LYON)**

[Zero-coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond), [callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable), putable, [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) developed by Merrill Lynch & Co.

**Liquidated damages**

The amount payable for delays and sub-standard performance under a construction, equipment supply, or Operations & Maintenance [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Liquidating dividend**

Payment by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to its owners from [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) rather than from [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Liquidation**

Occurs when a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) business is terminated. [Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are sold, [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) are used to pay [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor), and any leftovers are distributed to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). Any [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that [offsets](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) or closes out a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position). Related: [Buy in](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_in), [evening up](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evening_up), [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) liquidity.

**Liquidation by assignment**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or realization of a [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtor) [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) voluntarily agreed to by its [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) who estimate that the firm's [liquidation value](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation_value) exceeds its [going-concern value](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#going_concern_value).

**Liquidation rights**

The rights of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) securityholders in the event the firm [liquidates](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Liquidation value**

[Net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) amount that could be realized by selling the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) after paying the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Liquidator**

Person appointed by an [unsecured creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsecured_debt) in the United Kingdom to oversee the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [insolvent](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent) [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and the repayment of its [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Liquidity**

A high level of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) activity, allowing [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling with minimum price disturbance. Also, a market characterized by the ability to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell with relative ease. Antithesis of illiquidity.

**Liquidity diversification**

[Investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) in a variety of [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) to reduce the price [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) to which [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) long [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) exposes the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Liquidity Fund**

A California [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) [interests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) at 25% to 35% lower than the current value of the real estate [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Liquidity preference hypothesis**

The argument that greater [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) is valuable, all else equal. Also, the theory that the [forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) exceeds expected future [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Liquidity premium**

[Forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) expected future [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Liquidity ratios**

Ratios that measure a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) ability to meet its [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) on time, such as the ratio of current assets to current liabilities.

**Liquidity risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that arises from the difficulty of selling an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in a timely manner. It can be thought of as the difference between the "true value" of the asset and the likely price, less [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Liquidity theory of the term structure**

A biased expectations theory that asserts that the implied [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) will not be a pure estimate of the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) expectations of future [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) because they embody a [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Lisbon Stock Exchange (LSE)**

[Stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) stocks, [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and [unit trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_trust). The BVL general index is the [exchange's](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) official [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Listed firm**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges), and conforms to [listing requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing_requirements).

**Listed option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that has been accepted for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Listed security**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that has been accepted for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) by one of the organized and registered securities [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in the United States. Generally, the advantages of being [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) are that exchanges provide: (1) an orderly marketplace; (2) [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity); (3) [fair price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_price) determination; (4) accurate and continuous [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) on [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [quotations](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation); (5) information on [listed companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm); and (6) strict [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) for the protection of securityholders. Antithesis of [OTC Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.).

**Listed stocks**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Listing**

In the context of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), written agreement between a property owner and a real estate [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) that gives the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) permission to find a buyer or tenant for some property. See: [Listing broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing_broker).

**Listing broker**

In the context of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), when a stock is traded in exchange it is said to be listed. A licensed [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who completes a listing of a property for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Listing requirements**

Requirements, including minimum [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding), [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value), and income, that are laid down by an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) for any [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to be listed for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Living benefits**

[Life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) benefits from which the insured can draw [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) while still living, usually in the case of some high-[cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) illness.

**Living trust**

A trust that an individual establishes during the individual's lifetime, enabling the person to [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) contributed to the trust. Also known as an [inter vivos trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inter_vivos_trust).

**Living will**

A document specifying the kind of medical care a person wants-or does not want-in the event of terminal illness or incapacity.

**Lloyds of London**

A marketplace in London for [underwriting syndicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate).

**Load**

The [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) fee charged to an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) when [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) in a [load fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund) or [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity). See: Back-end load; [front-end load](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#front_end_load); [level load](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#level_load).

**Load fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that sells [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) with a [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge)-typically 4% to 8% of the [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) amount indicated. Some no-load funds also levy [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) fees permitted by Article [12b-1](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#12b_1_funds) of the Investment Company Act; these are typically 0. 25%. A true no-load fund has neither a sales charge nor a distribution fee.

**Load-to-load**

Arrangement whereby the customer pays for the last [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) when the next one is received.

**Load spread option**

A method of allocating the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge) on [load funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund), often through percentage [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) from a customer's periodic fixed payments.

**Loan**

Temporary [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of a sum of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). If you borrow $1 million you have taken out a loan for $1 million.

**Loan amortization schedule**

The timetable for repaying the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Loan commitment**

Assurance by a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) to make [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) available to a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) on specific [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) in return for a fee.

**Loan crowd**

Historical [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term). In the 1920's and 1930's, it refers to the group of [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) that [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) or [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) needed to cover the [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) of customers who have sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The crowd could be found around the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) post.

**Loan Preference Principle**

The theory that a [covered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) is less expensive when its [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) is calculated in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), it will also be less expensive in all other currencies.

**Loan syndication**

Group of banks sharing a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). See: [Syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Loan value**

The maximum percentage of the value of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) can [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) to a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) customer, as dictated by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) in [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t).

**Loan-to-value ratio (LTV)**

The ratio of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) on a property to the property's [fair market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_market_price).

**Loaned flat**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) lent [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest)-free between [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to cover customers' [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Local**

A [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchange member](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) who [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for his or her own [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account).

**Local expectations hypothesis (LEH)**

Theory that [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) similar in all aspects except [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) will have the same [holding-period](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period) [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return).

**Local expectations theory**

A form of the [pure expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pure_expectations_theory) that suggests that the [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of different [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) will be the same over a [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) investment horizon.

**Local taxes**

Property, sewer, school, or other community paid to a locality. Local taxes are usually [deductible](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deductible) for federal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) purposes.

**Location-specific advantages**

Advantages (natural and created) that are available only or primarily in a particular place.

**Locational arbitrage**

Attempt to exploit discrepancies in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between banks.

**Lock**

Used in the context of general equities. Make a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) both ways ([bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and[offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer)) either on the bid, [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), or an [in-between](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_between) price only. Locking on the offering occurs to attract a seller, since the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) is willing to pay (and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask)) the offering side when others only ask it. Locking on the bid side attracts buyers for similar reasons. Typically, the sell side requires a [plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus_tick) to comply with [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) rules.

**Lock in**

To ensure that an individual transacts all his or her business with a sole [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) by providing superior services, such as accommodating block [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell needs or preparing excellent research ([soft-dollar](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#soft_dollars) lock). This usually [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a certain volume of business.

**Lock-out**

With [PAC](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#planned_amortization_class) bond [CMO](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) classes, the period before the PAC [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement) becomes effective. With [multifamily loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multifamily_loans), the period of time during which [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) is prohibited.

**Lock-up CDs**

[CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) that are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with the tacit understanding that the buyer will not [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) the certificate. Quite often, the [issuing bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuing_bank) will insist that it [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the certificate for safekeeping by it to ensure that the buyer holds the understanding.

**Lockup option**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Privilege [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) a [white knight](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_knight) (friendly [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer)) by a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [crown jewels](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crown_jewel) or additional [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). The aim is to discourage a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover). See: [Shark repellent](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant).

**Lockbox**

A [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) and processing service provided to [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by banks, which collect payments from a dedicated postal box to which the firm directs its customers to send payment to. The banks make several collections per day, process the payments immediately, and deposit the funds into the firm's bank account.

**Locked in**

When an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) is unable to take advantage of preferential tax treatment because of time remaining on a required [holding period](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period). Also, a [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has a limit up or limit down day and investors are unable to move in to or out of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Locked market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) is locked if the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) price equals the [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) price. This can occur, for example, if the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) is [brokered](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#brokered_market) and one side pays brokerage only, in [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) trading the initiator of the [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). Highly competitive market environment with inside bid and [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at the same price. Often occurs when an [OTC dealer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) has not updated the market.

**Lockup Agreement**

Where the purchaser of securities agrees not to sell the securities for a certain period of time (the lockup time).

**Log-linear least-squares method**

A statistical technique for fitting a curve to a set of data points. One of the [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) is transformed by taking its [logarithm](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural_logarithm), and then a straight line is fitted to the transformed set of data points.

**Lognormal distribution**

Pattern of frequency of occurrence in which the [logarithm](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural_logarithm) of the [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) follows a [normal distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_probability_distribution). Lognormal distributions are used to describe [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) calculated over periods of a year or more.

**Lombard rate**

Applies mainly to international equities. [Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) the German Bundesbank uses as an upper limit to the day-to-day [money rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_rate_of_return), since no bank will pay higher rates in the [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) than it has to pay for very [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) recourse to Lombard [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**London Commodity Exchange (LCE)**

Merged with the London International Financial Futures and Options Exchange in 1996.

**London Interbank Bid Rate (LIBID)**

The [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) rate that a Euromarket bank is willing to pay to attract a deposit from another Euromarket bank in London. Related: [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.).

**London Interbank Offered Rate**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) often quoted as a 1,3,6-month rate for U.S.dollars.

**London International Financial Futures and Options Exchange (LIFFE)**

A leading market for trading options and futures on euro [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative).

**London Metal Exchange (LME)**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) base metals, where [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) are available against the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**London Stock Exchange (LSE)**

The U.K.'s six regional [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) joined together in 1973 to form the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) of Great Britain and Ireland, later named the LSE. The [FTSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#footsie) 100 index (known as the [footsie](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#footsie)) is its dominant [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Long**

One who has bought a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) to establish a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) and who has not yet closed out this position through an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale); the opposite of [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short).

**Long bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a long [current maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_maturity). The "long bond" is the 30-year US [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds).

**Long coupons**

(1) [Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) with a long [current maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_maturity). (2) A bond on which one of the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) periods, usually the first, is longer than the other periods or the standard period.

**Long-term forward contracts**

[Contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that state [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) at which a specified amount of a particular [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) can be exchanged at a future date (more than one year from today).

**Long hedge**

The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) in anticipation of actual purchases in the [cash market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_markets). Used by processors or exporters as protection against an advance in the [cash price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_price). Related: [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge), [short hedge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_hedge)

**Long leg**

The part of an [option spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_spread) in which an agreement to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) is made.

**Long market value**

The [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), excluding [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), as of the close of the last business day.

**Long position**

Owning or [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) options (i.e., the number of [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) bought exceeds the number of contracts sold). For [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), a long position occurs when an individual owns [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). An owner of 1,000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is said to be "Long the stock." Related: [Short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position).

**Long position in an option**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of an [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Long run**

A period of time in which all [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) are [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable); longer than one year.

**Long straddle**

Taking a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in both a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and a [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option).

**Long-term**

Three or more years. In the context of accounting, more than 1 year.

**Long-term assets**

Value of property, equipment, and other [capital assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation). This is an entry in the bookkeeping records of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). It is usually established on a "[cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost)" [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis), and thus does not necessarily reflect the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the assets.

**Long-term capital gain**

A [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that has been held for more than one year.

**Long-term debt**

An [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) having a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of more than one year from the date it was [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Also called [funded debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funded_debt).

**Long-term debt/capitalization**

[Indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage). Shows [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) as a proportion of the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) available. Determined by dividing long-term debt by the sum of long-term debt, [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) and common [stockholder's equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity).

**Long-term debt-to-equity ratio**

A [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) ratio comparing [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) to [shareholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders_equity).

**Long-term debt ratio**

The ratio of [long-ter debt to total capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt_capitalization).

**Long-Term Anticipation Securities (LEAPS)**

[Long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) options.

**Long-term financial plan**

[Financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) plan covering two or more years of future operations.

**Long-term financing**

[Liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) repayable in more than one year plus [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Long-term gain**

A [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [capital assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset) held longer than 12 months, and eligible for [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) tax treatment.

**Long-term goals**

[Financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) goals expected to be accomplished in five years or longer.

**Long-term investor**

A person who makes [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) for a period of at least five years in order to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) his or her [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) goals.

**Long-term liabilities**

Amount owed for [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) repayment, and other items due after 1 year.

**Long-term loss**

A [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [capital asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset) held less than 12 months that can be used to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) a [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Look**

Used for listed equity securities. See: [Picture](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#picture).

**Look-thru**

A method for calculating US taxes owed on income from [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) foreign corporations that was introduced by the [Tax Reform Act of 1986](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_reform_act_of_1986).

**Lookback option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that allows the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to choose as the option [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) any price of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) that has occurred during the life of the option. For a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) option, the buyer will choose the minimum price; for a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) option, the buyer will choose the maximum price. This option will always be in the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Looking for**

In the context of general equities, this describing a [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) interest in which a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) is asked to [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), often involving a capital commitment. Antithesis of [in touch with](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_touch_with).

**Loophole**

A technicality in some legislation or [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that makes it possible to avoid certain consequences or circumvent a rule without breaking the law, such as in the use of a [tax shelter](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter).

**Loose credit**

Policy by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) to make [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) less expensive and more available by reducing [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) through market operations.

**Loss**

The opposite of gain.

**Loss Carry-Back (Carry-Forward)**

A tax provision that allows [operating losses](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operating_profit) to be used as a [tax shield](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shield) to reduce [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income) in prior and future years. [Losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) can be carried backward for up to three years and forward for up to 15 years under current tax codes.

**Loss-control activities**

Actions that an insured person or [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) takes at the instigation of an insurance company in order to prevent accidents or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Loss-of-income insurance**

Insurance coverage that will pay out income that a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) [loses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) as a result of a disability, injury, or business disruption.

**Loss payee**

A party to whom an insurance loss payment or insurance [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) may be directly paid.

**Loss ratio**

The ratio of [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) paid or accrued by an [issurer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) collected over a year.

**Lots**

In the context of general equities, this [blocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) or portions of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Can express a specific [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a certain time, often implying [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the same price (e.g., "I traded 40m in two lots of 10 and four lots of 5.").

**Louvre Accord**

1987 agreement between countries to attempt to stabilize the value of the US dollar.

**Low**

In the context of general equities, this is a specific minimum limit required by a seller in [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) ("I'll sell 50 with an eighth low."); implies a [not-held limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_held_order). Antithesis of [top](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#top).

**Low balance method**

A method of calculating [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on the basis of the lowest balance of an [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) over the applicable period.

**Low ball**

Slang for making an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) well below the [fair value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_value) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in hopes that the seller may be desperate to sell.

**Low-coupon bond refunding**

[Refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) of a low-[coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_bond) with a new, higher-coupon bond.

**Low grade**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) of B or lower.

**Low-load fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that charges a [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) of 3.5% or less for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Low price**

The day's lowest price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that has changed hands between a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and a seller.

**Low price-earnings ratio effect**

The tendency of [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of stocks with a low price-[earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) ratio to outperform portfolios of stocks with high [price-earnings ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_earnings_ratio).

**Lump sum**

A large one-time payment of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Lump-sum distribution**

A single payment that represents an employee's interest in a [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan). The payment must be prompted by retirement (or other separation from service), death, disability, or attainment of age 59-1/2, and must be made within a single tax year to avoid the federal government's 10% penalty tax.

**Lyapunov Exponents**

A measure of the dynamics of an [attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor). Each dimension has a Lyapunov exponent. A positive exponent measures sensitive dependence on initial conditions, or how much our forecasts can diverge based upon different estimates of starting conditions. Another way to view Lyapunov exponents is the loss of predictive ability as we look forward into time. [Strange Attractors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strange_attractor) are characterized by at least one positive exponent. A negative exponent measures how points converge towards one another. [Point Attractors](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point_attractor) are characterized by all negative [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable). See: [Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor), [Limit Cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_cycles), [Point Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point_attractor), [Strange Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strange_attractor).

**M**

Fifth letter of a [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) fourth class of preferred shares.

**M1**

Measure of the U.S. [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) stock that consists of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) held by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), travelers [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), demand deposits and other checkable deposits including NOW ([negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable) order of withdrawal) and [ATS](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ats) (automatic [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) service) account balances and share [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) account balances at credit unions.

**M2**

Measure of the U.S. [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) stock that consists of [M1](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#m1), certain overnight [repurchase agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) and certain overnight Eurodollars, savings deposits (including money market deposit accounts), time deposits in amounts of less that $100,000 and balances in money market mutual funds (other than those restricted to [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors)).

**M3**

Measure of the U.S. [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) stock that consists of [M2](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#m2), time deposits of $100,000 or more at all depository institutions, [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) [repurchase agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) in amounts of $100,000 or more, certain [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) Eurodollars and balances in money market mutual funds restricted to [institutional investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**MA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MOROCCO.

**MAB**

See: [Master Air Waybill](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#master_air_waybill)

**MAD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Moroccan Dirham.

**MBO**

See: [Management buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management_buyout)

**MBSCC**

See: [Mortgage-Backed Securities Clearing Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities_clearing)

**MC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MONACO.

**MD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MOLDOVA, REPUBLIC OF.

**MDA**

See: [Multiple discriminant analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multiple_discriminant_analysis)

**MDL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Moldovan Leu.

**MG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MADAGASCAR.

**MGF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Madagascar Franc.

**MH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MARSHALL ISLANDS.

**MHS**

See: [Manufactured housing securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#manufactured_housing_securities)

**MK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MACEDONIA, THE FORMER YUGOSLAV REPUBLIC OF.

**MIP**

See: [Monthly income preferred security](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monthly_income_preferred_security)

**MIT**

See: [Market-if-touched](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_if_touched)

**MKD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Macedonian Denar.

**ML**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MALI.

**MLP**

See: [Master limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#master_limited_partnership)

**MM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MYANMAR.

**MMDA**

See: [Money Market Demand Account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_demand_account). Same as Money Market Deposit Account

**MMK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Myanmar (ex-Burma) Kyat.

**MMME**

See: [Middle Market Manufacturing Exporter](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#middle_market_manufacturing_exporter)

**MN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MONGOLIA.

**MNC**

See: [Multinational corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation)

**MNT**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Mongolian Tugrik.

**MO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MACAU.

**MOC**

See [Market on Close](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_on_close).

**MOP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Macau Pataca.

**MP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NORTHERN MARIANA ISLANDS.

**MQ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MARTINIQUE.

**MR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MAURITANIA.

**MRO**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Mauritanian Ouguiya.

**MRQ**

A short-form for Most Recent Quarter. Often used in the context of explaining [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) performance. MRQ earnings, for example.

**MS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MONTSERRAT.

**MSCI**

See: [Morgan Stanley Capital International](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#morgan_stanley_capital_international)

**MT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MALTA.

**MTL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Maltese Lira.

**MTN**

A short-form for [Medium Term Note](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#medium_term_note).

**MTNR**

A short-form for [Medium Term Note Retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#medium_term_note_retail).

**MU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MAURITIUS.

**MUR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Mauritius Rupee.

**MV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MALDIVES.

**MVR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Maldive Islands Rufiyaa.

**MW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MALAWI.

**MWK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Malawian Kwacha.

**MY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MALAYSIA.

**MYR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Malaysian Ringgit.

**MX**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MEXICO.

**MXN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Mexican Peso.

**MZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MOZAMBIQUE.

**MZM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Mozambique Metical.

**Macaroni defense**

A tactic used by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that is the target of a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) involving the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of a large number of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that must be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) at a higher value if the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is taken over.

**Macaulay duration**

The weighted-average [term to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_to_maturity) of the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), where the weights are the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) divided by the price.

**Macro**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that takes [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) strategic bets. For example, the manager might believe that the Yen will appreciate relative to the dollar over the next six months and alter the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to capture this potential [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) opportunity.

**Macro country risks**

Country risks or [political risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk) that affect all foreign [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in a host country.

**Macroassessment**

Overall [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) assessment of a country without consideration of an [MNC's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) business.

**Macroeconomics**

Analysis of a country's economy as a whole.

**Madrid Stock Exchange (Bolsa de Madrid)**

The largest of Spain's four [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Magic of diversification**

The effective reduction of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) ([variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance)) of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), achieved without reduction to [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) through the combination of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with low or negative [correlations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) ([covariances](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance)). Related: [Markowitz diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_diversification).

**Mail Delay**

Time a payment spends in the postal system before delivery.

**Mail float**

Time period that [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) for payment spend in the postal system.

**Mailing Date**

A specific date set for the mailing of certain material to security [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) such as interim reports, [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) material and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check).

**Maintenance**

Appropriate ongoing adjustments to security [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) records.

**Maintenance call**

A [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) for additional [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) when a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) falls below its exchange-mandated required level.

**Maintenance fee**

A yearly charge to maintain brokerage accounts, such as [asset management accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_management_account) or [IRAs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account).

**Maintenance margin**

The dollar amount required to be kept at the [OCC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.c.c.) throughout the life of an option [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract); percentage of the dollar amount of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that must always be kept as [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin).

**Maintenance margin requirement**

A sum, usually smaller than but part of the original [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin), that must be maintained on deposit at all times. If a customer's [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in any [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) [drops](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) to or below, the [maintenance margin level](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maintenance_margin_requirement), the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) must [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) for the amount at [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) required to restore the customer's [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in the account to the original margin level. Related: [Margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin), [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).

**Majority shareholder**

A [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) who is part of a group that [controls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) more than half the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Majority voting**

Voting system under which corporate [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) vote for each [director](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) separately. Related: [Cumulative voting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_voting).

**Make a market**

[Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) are said to make a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) when they quote [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) at which they stand ready to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell.

**Make-up**

The amount of deficiency when a [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) or [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) item is deficient. For example, an [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) make-up relates to the interest amount above a [ceiling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#ceiling) percentage.

**Make whole provision**

Related to the [lump-sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) payments made when a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), equal to the [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of future loan or [coupon payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_payments) not paid because of the call. The payment can be significant and negate the attractiveness of a call.

**Making delivery**

Refers to the seller's actually turning over to the buyer the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) agreed upon in a [forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract).

**Malaysia Commodity Exchange**

A [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of the [KLSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#kuala_lumpur_stock_exchange) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on the three-month Kuala Lumpur Interbank offered rate.

**Maloney Act**

1938 legislation amending the [Securities Exchange Act](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) that [regulates](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market.

**Managed account**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) one or more clients entrusted to a manager who decides how to invest it.

**Managed float**

Also known as ["dirty" float](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dirty_float), this is a system of [floating exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_exchange_rate) with [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) intervention to reduce [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation).

**Managed Futures**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that focuses on [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the futures market.

**Management**

The people who administer a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), create policies, and provide the support necessary to implement the owners' business objectives.

**Management buying**

The [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of a [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in a promising business by an outside [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) group that retains existing [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) and places representatives on the [board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Management buyout (MBO)**

[Leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout) whereby the [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) group is led by the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management).

**Management/closely held shares**

Percentage of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) held by persons closely related to a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), as defined by the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission). Part of these percentages often are included in "institutional [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold)"--making the combined total of these percentages over 100. There is overlap as institutions sometimes acquire enough [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to be considered by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) to be closely allied to the company.

**Management contract**

An agreement by which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) will provide its organizational and [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) expertise in the form of services.

**Management fee**

An [investment advisory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_advisory_service) fee charged by the [financial adviser](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) to a [fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) typically on the basis of the fund's [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), but sometimes determined on a sliding scale that declines as the dollar amount of the fund increases.

**Management's discussion and analysis (MD&A)**

A report from [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) that accompanies the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) in the [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report). It explains the period's financial results and enables management to discuss topics that may not be apparent in the [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) in the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) report.

**Manager**

A medium-level participant established according to final take.

**Managerial decisions**

Decisions concerning the operation of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), such as the choice of firm size, firm [growth rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates), and employee [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation).

**Managerial flexibility**

Flexibility in the timing and scale of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) provided by a real investment option.

**Managing underwriter**

The leading [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) group, which originates the deal and acts as an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for the group.

**Mandate**

The formal appointment to advise on or arrange a project financing.

**Mandatory convertibles**

A [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) that is exchangeable at some point for [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in the form of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) or a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Mandatory redemption schedule**

Schedule according to which [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement) payments must be made.

**Manipulation**

Dealing in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to create a false appearance of [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), in order to bring in more [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders). Illegal.

**Manufactured housing securities (MHS)**

[Loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) on manufactured homes-that is, factory-built or prefabricated housing, including mobile homes.

**Maple Leaf**

A gold, silver, or platinum coin minted in Canada that usually [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at slightly more than its current [bullion](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullion_coins) value.

**Margin**

Allows [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) from a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker). The margin is the difference between the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) a broker makes. Related: [Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) deposit (initial). In the context of [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) and [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) deposited with a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) or exchanged as insurance against [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Margin account (stocks)**

A [leverageable](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) account in which [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) can be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) for a combination of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). The loan in the [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) account is [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) by the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock); if the value of the stock [drops](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) sufficiently, the owner will be asked to either put in more cash, or sell a portion of the stock. Margin rules are federally [regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations), but margin requirements and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) may vary among [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Margin requirement**

A performance [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) paid upon [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) that protects the exchange [clearinghouse](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) from [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Margin stock**

Any stock listed on a national [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) exchange, any over-the-counter security approved by the SEC for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the national market system, or appearing on the Board's list of over-the-counter [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) stock and most mutual funds.

**Margin trading**

Buying [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), in part, with [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Marginal**

Incremental.

**Margin agreement**

The agreement governing customers' [margin accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account).

**Marginal cost**

The increase or decrease in a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) total [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of production as a result of changing production by one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit).

**Marginal efficiency of capital**

The [percentage yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_yield) earned on an additional [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Marginal revenue**

The change in total revenue as a result of producing one additional [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of output.

**Marginal tax rate**

The [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) that would have to be paid on any additional dollars of [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income) [earned](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Marginal utility**

The change in total satisfaction as a result of consuming one additional [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a specific good or service.

**Margin call**

A demand for additional funds because of adverse price movement. [Maintenance margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maintenance_margin_requirement), [security deposit maintenance](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_deposit).

**Margin department**

The department in a brokerage firm that monitors customers' [margin accounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), ensuring that all short sales, [stock purchases](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_purchase_plan), and other [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) are covered by the margin account balance.

**Margin of profit**

[Gross profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_profit) divided by [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales). Used to measure a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) operating efficiency and pricing policies in order to determine how competitive the firm is within the [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry).

**Margin of safety**

With respect to [working capital management](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital_management), the difference between (1) the amount of [long-term financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_financing) and (2) the sum of [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset) and the permanent component of [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets).

**Margin requirement (options)**

The amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) an uncovered ([naked](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_option_strategies)) [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) is required to deposit and maintain to [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) his daily [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) valuation and reasonably foreseeable [intraday](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intraday) price changes.

**Margin security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that may be bought or sold in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) as defined in [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t).

**Marine Cargo Insurance**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) covering loss or damage to goods in transit.

**Marital deduction**

A [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) that allow spouses to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) unlimited amounts of property to one another.

**Marital trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) created to allow one spouse to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer), during life or upon death, an unlimited amount of property to his/her spouse without incurring gift or [estate tax](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax).

**Markdown**

The amount subtracted from the selling price of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) when they are sold to a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market. Also, the [discounted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) price of [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) after the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has shown little interest in the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) at the original price.

**Marked-to-market**

An arrangement whereby the [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) are settled each day.

**Market**

Usually refers to the [equity market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market). "The market went down today" means that the value of the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [dropped](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) that day.

**Market analysis**

An analysis of technical corporate and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) data used to predict movements in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker).

**Market-based forecasting**

Analyzing future [spot rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) on the basis of a market-determined [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) (such as the current [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) or [forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate)).

**Market-based corporate governance system**

Organization of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) whereby the [supervisory board](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#supervisory_board) represents a dispersed set of largely [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Market-book ratio**

[Market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of a [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) divided by [book value per share](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value_per_share).

**Market bottom**

(1) The point in time at which a security's price begins to trend upwards after trending downwards. (2) The price level at which a security's price begins to trend upwards after trending downwards.

**Market break**

See: [Break](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#break)

**Market capitalization**

The total dollar value of all [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Computed as shares times current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices). [Capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) is a measure of corporate size.

**Market capitalization rate**

[Expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The market-consensus estimate of the appropriate [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) for a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Market check**

An investigation typically conducted by an investment banking firm, on behalf of a target's Board of Directors (or Special Committee) as part of a process to determine whether a proposed price for the target (or its assets) is fair.

**Market clearing**

Total demand for [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) by [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) equals total supply of loans from [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender). The market, any market, clears at the [equilibrium rate of interest](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium_rate_of_interest) or price.

**Market conversion price**

Also called [conversion parity price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_parity_price), the price that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) effectively pays for [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) by purchasing a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) and then [exercising](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) the conversion [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). This price is equal to the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of the convertible security divided by the [conversion ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_ratio).

**Market correction**

A relatively [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) in stock [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price), generally viewed as bringing overpriced [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) back to a level closer to [companies'](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) actual values.

**Market cycle**

The period between the two latest highs or lows of the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500, showing [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) performance of a fund through both an up and a down market. A market cycle is complete when the S&P is 15% below the highest [point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) or 15% above the lowest [point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) (ending a down market).

**Market Eye**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) information service based in the U.K. sponsored by the ISE (International Stock Exchange of the UK and the Republic of Ireland) that provides current [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and statistical information.

**Market failure**

The inability of arm's length markets to deliverer goods or services. A [multinational corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) market internalization advantages may take advantage of market failure.

**Market-if-touched (MIT)**

A [price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_price_order), below [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) if a [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or above market if a sell, that automatically becomes a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) if the specified price is reached.

**Market impact costs**

The result of a [bid/ask spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_asked_spread) and a [dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) price [concession](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#concession). Also called [price impact costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_impact_costs).

**Market index**

Market measure that consists of weighted values of the components that make up certain list of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). A [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) tracks the performance of certain stocks by weighting them according to their prices and the number of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) by a particular formula.

**Market interest rate**

Rates of interest paid on deposits and other [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments), determined by the interaction of the supply of and demand for funds in the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) market.

**Market internalization advantages**

Conditions that allow a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to exploit the failure of an [arm's length](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arms_length_price) market to deliver goods or services efficiently.

**Market jitters**

Anxiety among many [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), causing them to sell [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), pushing prices down.

**Market letter**

A newsletter analyzing the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that is written by an [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-registered [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) adviser who sells the letter to subscribers. See: [Hulbert Rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hulbert_rating).

**Market maker**

Used in the context of general equities. One who maintains firm [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) in a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by standing ready to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [round lots](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot) at [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) quoted prices. See: [Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**Market microstructure**

The functional setup of a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Market model**

The market model says that the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) depends on the return on the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio) and the extent of the security's responsiveness as measured by [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta). The return also depends on conditions that are unique to the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). The market model can be graphed as a line fitted to a plot of [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) returns against returns on the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio). This relationship is sometimes called the [single-index model](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#single_index_model).

**Market Neutral**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that has long and short equity exposure with nearly exposure on [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) to [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in the market. However, the on average qualification is important. The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of the longs and the shorts could fluctuate through time leading to negative [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) when the market falls sharply.

**Market Not Held Order**

Also a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order), but the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) is allowing the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to use his own discretion as to the exact timing of the execution. If the floor broker expects a decline in price and he is [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a "market not held buy order", he (she) may wait to buy, figuring that a better price will soon be available. There is no guarantee that a "market not held order" will be filled.

**Market-on-Close (MOC) order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), or [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) as close as possible to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) close. See also [MOC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#moc).

**Market opening**

The start of formal [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Market order**

Used in the context of general equities. [Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) amount of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at the most advantageous price obtainable after the order is represented in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading). You cannot specify special restrictions such as [all or none (AON)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#all_or_none_order) or [good 'til canceled order (GTC)](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_til_cancelled) on market orders. See: [Limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order).

**Market order go-along/participating**

Used for listed equity securities. See: [Percentage order](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#percentage_order).

**Market out clause**

A clause that may appear in an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) firm commitment that releases it from its [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) requirement if there are negative [securities market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_markets) developments.

**Market overhang**

The theory that, in certain situations, institutions wish to sell their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) but postpone the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) because large [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) under current market conditions would drive down the share price and that the consequent threat of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) will tend to retard the rate of share price appreciation. Support for this theory is largely anecdotal.

**Market penetration/share**

Used in the context of general equities. Percent of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) volume in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that a particular [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) trades.

**Market Performance Committee (MPC)**

A group of [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) market oversight [specialists](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) who monitor specialists' efficiency in maintaining fair prices and orderly [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Market price**

The last reported price at which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) was [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Market research**

A [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) of [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) such as [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume), price [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend), and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) breadth that are used to predict price movement.

**Marketplace price efficiency**

The degree to which the [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) reflect the available marketplace information. Marketplace price efficiency is sometimes estimated as the difficulty faced by [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_management) of [earning](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) a greater [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) than passive management would, after adjusting for the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with a [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) and the [transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs) associated with implementing a strategy.

**Market portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) consisting of all [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) available to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), with each [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) held in proportion to its [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) relative to the total market value of all assets.

**Market price of risk**

A measure of the extra [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), or [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium), that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) demand to bear [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). The reward-to-risk ratio of the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio).

**Market prices**

The amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) that a willing buyer pays to [acquire](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) something from a willing seller, when a buyer and seller are independent and when such an exchange is motivated by only commercial consideration.

**Market return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio).

**Market risk**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that cannot be [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) away. Related: [Systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk)

**Market RRR (required rate of return) Schedule**

A line that [indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) the minimum [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) required by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) at each level of [investment risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_risk). The schedule begins at the [risk-free](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_rate) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and rises as risk increases.

**Market sectors**

The classifications of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) by [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) characteristics, such as state government, corporate, or utility.

**Market segmentation theory or preferred habitat theory**

A [biased expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#biased_expectations_theories) that asserts that the shape of the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve) is determined by the supply of and demand for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) within each [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector).

**Market share**

The percentage of total [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) that a particular [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [controls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control).

**Market sweep**

A second [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) following a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer), allowing [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) to obtain a [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) at a price higher than the original offer.

**Market timer**

A [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) who assumes he or she can forecast when the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) will go up and down.

**Market timing 1.**

Used in the practice of [Asset allocation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_allocation_decision). Based on public information, managers actively decide which stocks, sectors, countries, or asset classes to over or underweight. Market timing takes advantage of a small but important amount of predictability in asset returns. The strategy contrasts with the buy-and-hold strategy in which a portfolio is decided on and held for long periods of time. Market timing is an active rather than passive strategy.

**Market timing 2.**

A misnomer synonym used in reference to 2003 mutual fund scandal. The misnomer synonym refers to [Stale Price Arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stale_price_arbitrage).

**Market timing costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that arise from [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) during a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) period but attributable to other activity in the stock.

**Market tone**

The general state of well-being of a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) market, based mostly on [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity.

**Market top**

(1) The point in time at which a security's price begins to trend downwards after trending upwards. (2) The price level at which a security's price begins to trend downwards after trending upwards.

**Market value**

(1) The price at which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) and could presumably be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or sold. (2) What [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) believe a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is worth; calculated by multiplying the number of shares [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) by the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of a firm's [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Market value ratios**

Ratios that relate the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) to selected [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) items.

**Market value-weighted index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of a group of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) computed by calculating a weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of the [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on each security in the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), where the weights are proportional to [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Marketability**

A [negotiable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is said to have good marketability if there is an [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) in which it can easily be resold.

**Marketable securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are easily [convertible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) to [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) because there is high demand allowing them to be sold quickly.

**Marketable title**

A clear, reasonably incontestable title to a piece of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) that is good for [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) purposes.

**Marketed claims**

Claims that can be bought and sold in [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market), such as those of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) and [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**Marking to market**

Settling or reconciling changes in the value of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) on a daily basis. Also refers to the practice of reporting the value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) rather than [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) basis.

**Marking up or down**

The amount by which a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) raises or lowers the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) due to changes in demand and supply.

**Markowitz, Harry**

Nobel laureate in economics. Father of [portfolio theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modern_portfolio_theory).

**Markowitz diversification**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that seeks to combine in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that are less than perfectly positively correlated, in an effort to lower [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) ([variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance)) without sacrificing [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). Related: [Naive diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naive_diversification).

**Markowitz efficient frontier**

The graphical depiction of the [Markowitz efficient set of portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_efficient_set_of_portfolios) representing the boundary of the set of feasible [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that have the maximum [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) for a given level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). Any portfolios above the frontier cannot be achieved. Any below the frontier are dominated by [Markowitz efficient portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_efficient_portfolio).

**Markowitz efficient portfolio**

Also called a [mean-variance efficient portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_variance_efficient_portfolio), a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that has the highest [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) at a given level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Markovian Dependence**

The condition where observations in a [time series](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_series_models) are dependent on previous observations in the near term. Markovian dependence dies quickly, while long-memory effects like Hurst dependence, decay over very long time periods.

**Markowitz efficient set of portfolios**

The collection of all [efficient portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_portfolio), which can be graphed as the [Markowitz efficient frontier](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_efficient_frontier).

**Marks and Numbers**

Identifying symbols and numbers placed by the shipper on each piece of cargo in a shipment.

**Mark-to-market**

Adjustment of the [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) or [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) value of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to reflect [current market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_market_value).

**Marriage penalty**

A tax that has the effect of penalizing a married couple because they pay more tax on a [joint tax return](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joint_tax_return) than they would if they file tax returns individually.

**Married put**

A [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) bought at the same time as its [underlying securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) in [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) the price paid for the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Marrried Put and Stock**

The simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of stock and the corresponding number of [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option). This is a limited [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) during the life of the puts because the stock can be sold at the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) of the puts.

**Married Put Strategy**

A put and stock are considered to be married if they are bought on the same day, and the position is designated at that time as a hedge.

**Master Air Waybill (MAB)**

A document [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the originating airline when and if a shipment involves more than one air carrier.

**Master limited partnership (MLP)**

A [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) traded [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership).

**Master pension plan**

See: [Prototype plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prototype_plan)

**Matador market**

The [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in Spain.

**Matched and lost**

The outcome of the flip of a coin used to determine which of two [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who are locked in competition for equal [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) may actually [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) the [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Match-fund**

A bank is said to match-fund a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or other [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) when it does so by buying (taking) a deposit of the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). The term is commonly used in the Euromarket.

**Matched book**

A bank runs a matched [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) when the of [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) is [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) equal.

**Matched maturities**

The coordination by a [financial\_institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) of the [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) ([loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan)) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) (deposits) in order to enable it to meet its[obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) at the required times.

**Matched orders**

Used for listed equity securities. Participate in equal amounts of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a certain price, particularly when two parties have the same level of [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) (this requires standing in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading)).

**Matched Sale Purchase Transactions**

[Transcations](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the Federal Reserve sells a government security to a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) or a foregin central bank and agrees to buy back the security to a dealer or a foreign central bank and agrees to buy back the security on a specified date (usually within seven days) at eh same price (the reverse of a [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement)). Such transaction allow the Federal Reserve to temporarily absorb [excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves) from the banking system, limiting the ability of banks to make new [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments).

**Matched sale transaction**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Procedure whereby the [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) of New York sells government [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to a nonbank [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) against payment in [federal funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds). The agreement requires the dealer to sell the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) back by a specified date, which ranges from 1 to 15 days. The [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) pays the dealer a rate of interest equal to the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate). These [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), also called reverse [repurchase agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement), decrease the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) supply for temporary periods by reducing dealers' bank balances and thus [excess reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_reserves).

**Matching concept**

The accounting principle that requires the recognition of all [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that are associated with the generation of the revenue reported in the [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement).

**Material Adverse Change or Effect**

Many mergers and [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) contracts include a material adverse change clause that allows a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to renegotiate or walk away from a deal if the other company or its [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) announces a significant event that may negatively affect its stock price or operations. See also [materiality](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#materiality).

**Materiality**

The importance of an event or information in influencing a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price. [Companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) must report any material events within one month by filing SEC form 8-K.

**Materials requirement planning**

Computer-based systems that plan backward from the production schedule to make [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) in order to manage [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) levels.

**Mathematical programming**

An operations research technique that solves problems in which an optimal value is sought subject to specified constraints. Mathematical programming models include [linear programming](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#linear_programming), [quadratic programming](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quadratic_programming), and dynamic programming.

**Matif SA**

The [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) of France.

**Matrix trading**

[Swapping](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in order to take advantage of temporary differences in the [yield spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread) between [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with different [ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) or different [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class).

**Mature**

To cease to exist; to expire.

**Mature economy**

The economy of a nation with a stable population and slowing economic growth.

**Matured noninterest-bearing debt**

Outstanding [savings bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond) and [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) that have reached final [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) and no longer earn [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest). Includes all Series A-D, F, G, 1, J, and K [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). [Series E bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series_e_bond) ([issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) between May 1941 and November 1965), [Series EE](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series_ee_bond) (issued since January 1980), Series H (issued from June 1952 through December 1979), and savings notes issued between May 1967 and October 1970 have a final maturity of 30 years. [Series HH bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series_hh_bond) (issued since January 1980) mature after 20 years.

**Maturity**

For a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), the date on which the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) is required to be repaid. In an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap), the date that the [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) stops [accruing interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest).

**Maturity date**

Usually used for [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Date that the bond finishes and is paid off. Date on which the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount of a [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft), acceptance, bond, or other [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) becomes due and payable.

**Maturity factoring**

An arrangement that provides [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) and insurance of [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Maturity phase**

A stage of [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) development in which [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) to grow at the rate of the general economy. Related: [Three-phase DDM](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#three_phase_ddm).

**Maturity spread**

The difference in [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) between [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of different time lengths.

**Maturity value**

Related: [Par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value)

**Maximum capital gains mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose objective is to produce [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) by [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) in small or [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) rapid-growth [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Maximum expected return criterion (MERC)**

Standard that one choose the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with the highest anticipated return.

**Maximum price fluctuation**

The greatest amount by which the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) price can change, up or down, during one [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) session, as fixed by [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) rules in the contract specification. Related: [Limit price](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price).

**Maximum return criterion (MRC)**

Standard that one choose the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with the highest return.

**May Day**

The date of May 1, 1975, after which [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) were allowed to charge any brokerage [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), rather than a mandatory rate.

**May expand**

Used in the context of general equities. Warning that the size of the [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)/[total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) may be increased. See: "[more behind it.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#more_behind_it)"

**MBS depository**

A [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book)-entry depository for [GNMA](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The depository was initially operated by [MBSCC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities_clearing) and is now a separately incorporated, participant-owned, limited-purpose [trust company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust_company) organized under the State of New York Banking Law.

**MBS servicing**

The requirement that the [mortgage servicer](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_servicing) maintain payment of the full amount of contractually due [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) whether or not actually [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection).

**Meals and entertainment expense**

A [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) allowed for meals and entertainment [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) incurred in the course of business.

**Mean**

The expected value of a [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable). Arithmetic average of a sample.

**Mean of the sample**

The [arithmetic average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arithmetic_mean_return); that is, the sum of the observations divided by the number of observations.

**Mean return**

The average return. Also see: [Expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return)

**Mean reversion**

The idea that stock prices revert to a long term level. Hence, if there is a shock in prices (unexpected jump, either up or down), prices will return or revert eventually to the level before the shock. The time it takes to revert is often referred to as the time to reversion. If the process is very persistent, it might take a long time to revert to the mean. The key difference between a mean-reverting process and a [random\_walk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_walk) is that after the shock, the [random\_walk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_walk) price process does not return to the old level.

**Mean-variance analysis**

Evaluation of [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) prospects based on the [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) and [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of possible outcomes.

**Mean-variance criterion**

The selection of [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) based on the [means](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) and [variances](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of their [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). The choice of the higher [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) for a given level of variance or the lower variance [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) for a given expected return.

**Mean-variance efficient portfolio**

Related: [Markowitz efficient portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_efficient_portfolio)

**Measurement error**

Errors in measuring an explanatory [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) in a [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression), which leads to biases in estimated [parameters](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parameter).

**Measurement Noise**

See: [Observational Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#observational_noise).

**Medallion Stamp Program**

A program approved by the Securities Transfer Association that enables participating [financial\_institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) to [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) signatures. The Medallion programs ensure that the individual signing the [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) or stock, power is in fact the registered owner as it appears on the stock certificate or stock power. Any U.S. financial institution that belongs to a Medallion Stamp Program can provide Medallion [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee). Such institutions include banks, savings and [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), credit unions and U.S. brokerages.

**Median market cap**

The midpoint of [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization) ([market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) multiplied by the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding)) of the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio). Half the stocks in the portfolio will have higher market capitalizations; half will have lower.

**Medium term**

Two-six years.

**Medium-term bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) in two to ten years.

**Medium-Term Guarantee Program**

[Ex-Im Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank) effort encouraging commercial [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of U.S. [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) equipment and services to approved foreign buyers. The Ex-IM Bank [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on these [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Medium-term note (MTN)**

A corporate [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) that is continuously offered to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) over a period of time by an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer). Investors can select from [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) bands of: 9 months to 1 year, more than 1 year to 18 months, more than 18 months to 2 years, etc., up to 30 years.

**Medium-term note retail (MTNR)**

Medium-term note designated for retail investors. For example, at Fannie Mae, it means that the bond is designated for individual investors that is underwritten through a dealer versus issuing through a program, like Investment Notes or Benchmark Notes.

**Meff Renta Fija**

The [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in Barcelona, Spain, listing [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on fixed-interest [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and on [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), including the MIBOR (Madrid Interbank Offered Rate).

**Meff Renta Variable**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) derivatives market in Spain [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the Iberian Exchange (IBEX)-35 [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) and on individual [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Member bank**

A national- or state-[chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) bank that is a member of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Member firm**

Used for listed equity securities. Brokerage firm that has at least one membership on a major [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) even though, by exchange rules, the membership in the name of an employee and not of the firm itself.

**Membership or a seat on the exchange**

A limited number of [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) that enable the holder to trade for the holder's own accounts and charge clients for the [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for their accounts. Related: [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm).

**Member short sale ratio**

The total [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) by [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) members divided by total [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), which is used to analyze [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) expectations and [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) or [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Menu**

Used in the context of general equities. Hierarchy of choices concerning price and volume of [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) proposed to a customer (e.g. Menu of [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) to a customer buyer - a) 10m @ 24 1/4; b) 25m @ 24 1/2; or c) 50m @ 24 3/4).

**Member short sale ratio**

The total [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) by [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) members divided by total [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), which is used to analyze [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) expectations and [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) or [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Mercantile agency**

An organization that supplies [credit ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating) and reports on [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that are prospective customers.

**Mercato Italiano Futures (MIF)**

The Italian [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) market [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) Italian [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) bond (BTB) futures.

**Merchandise**

All movable goods such as cars, textiles, appliances, etc. and 'f.o.b.' means free on board.

**Merc, the**

[Chicago Mercantile Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange).

**Merchant bank**

A British term for a bank that specializes not in [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) out its own funds, but in providing various [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) services such as accepting bills arising out of [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) new [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), and providing advice on [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition), [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger), [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange), [portfolio management](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_management), etc.

**Mercosur**

The "Common Market of the South," which includes Argentina, Brazil, Paraguay, and Uruguay in a regional trade pact that reduces [tariffs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tariff) on intrapact [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by up to 90%.

**Merger**

(1) [Acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) in which all [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) are absorbed by the buyer. (2) More generally, any combination of two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). The [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) activity in this respect is sometimes called M&A (Merger and Acquisition)

**Merger Arbitrage**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that involves the simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of stock in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) being [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) and the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of stock in its [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer).

**Method of payment**

The way a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) is [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance).

**Mexican Stock Exchange**

The only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Mexico. The Indice de Precios y Cotizaciones, or IPC index, consists of the 35 most representative [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) chosen every two months.

**Mezzanine bracket**

The members of an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) group with involvement large enough to be in the second participation tier from the top.

**Mezzanine level**

The period in a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) development just before it goes [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Mezzanine financing**

The next stage of [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) that follows [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) financing.

**Micro-cap stock**

See: [Penny stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#penny_stock)

**Micro country risks**

Country or political risks that are specific to an [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), or project within a host country.

**Microassessment**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) assessment of a country as related to an [MNC's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) type of business.

**Microeconomics**

Analysis of the behavior of individual economic [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) such as [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), or households.

**Mid cap**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) usually between $1 billion and $5 billion.

**Mid-cap SPDRs**

This is the same as a [SPDR](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spdr) except the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index)it tracks is Standard&Poor's Mid-cap 400. This SPDR also [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange), under the [symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) MDY.

**Middle Market Manufacturing Exporter (MMME)**

An exporter with the following traits: 1) Manufacturer with less than 500 employees 2) Ships less than $1 Million per year (on average) overseas.

**Midget**

A 15 year GNMA bond; similar to a Dwarf.

**Midmarket**

Price around which a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) derives [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asked_price).

**Milan Stock Exchange**

The largest regional [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Italy, facilitating more than 90% of the country's [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume).

**Miller and Modigliani's irrelevance proposition**

Theory that if [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) are perfect, [corporate financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_finance) policy (including [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) policy) is irrelevant.

**Miller, Merton**

Nobel Laureate and coauthor of the famous Miller-Modigliani theorems. Finance professor at the University of Chicago.

**Mimic**

An imitation that sends a false [signal](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#signal).

**Mini-manipulation**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the underwriting security of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) contract in order to manipulate its price so that the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) will become [in-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money).

**Minimum maintenance**

The lowest required [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) level that must be held with a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account). See: [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).

**Minimum price fluctuation**

Smallest increment of price movement possible in [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) a given [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). Also called [point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) or [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick).

**Minimum purchases**

For [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), the amount required to open a new account (Minimum Initial Purchase) or to deposit into an existing account (Minimum Additional Purchase). These minimums may be lowered for buyers participating in an automatic purchase plan

**Minimum-variance frontier**

Graph of the lowest possible [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) that is attainable for a given [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Minimum-variance portfolio**

The [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) with lowest [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance).

**Minority interest**

An outside ownership interest in a [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) that is consolidated with the [parent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) for financial [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) purposes.

**Minus**

The symbol (-) that precedes the change figure in a stock table to indicate a closing [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) lower than that of the previous day.

**Minus tick**

See: [downtick](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#downtick) .

**Misery index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that sums the unemployment and [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) rates, used as a political rating or measure of consumer confidence.

**Mismatch bond**

[Floating rate note](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) whose [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) is reset at more frequent intervals than the [rollover](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rollover) period (e.g. a [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) whose payments are set [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) on the basis of the one-year [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate)).

**Miss the price/market**

Used for listed equity securities. 1) Have an [order in hand](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_hand) but fail to [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) on [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) favorable to a customer and, thus, be negligent as a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker); 2) receive an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) just after a [print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print) has transpired.

**Mixed account**

A brokerage account [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) both [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) and [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [positioned](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Mixed bag**

Used in the context of general equities. Group of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) which consists of some which are up, down, and neutral.

**Mixed forecasting**

Development of [forecasts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) using a combination of forecasting techniques.

**Mob spread**

The [yield spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread) between a tax-free [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) and a [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Mock trading**

The simulated [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) used as a learning device in training [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) and [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Modeling**

The process of creating a depiction of reality, such as a graph, picture, or mathematical representation.

**Modern portfolio theory**

[Principals](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) the analysis and evaluation of rational [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) choices based on [risk return trade-offs](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_return_trade_off) and efficient [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification).

**Modified Accelerated Cost Recovery System (MACRS)**

A [1986](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_reform_act_of_1986) act that set out rules for the [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) of qualifying [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), allowing for greater acceleration over longer periods of time.

**Modified duration**

The ratio of [Macaulay duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#macaulay_duration) to (1 + y), where y = the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield). Modified duration is inversely related to the approximate percentage change in price for a given change in [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Modified pass-throughs**

[Agency pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_pass_throughs) that [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) (1) timely [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) and (2) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments as [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection), but no later than a specified time after they are due. Related: [fully modified pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fully_modified_pass_throughs)

**Modigliani and Miller Proposition I**

A proposition by Modigliani and Miller which states that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) cannot change the total value of its [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by changing its [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) proportions. Also called the irrelevance proposition.

**Modigliani and Miller Proposition II**

A proposition by Modigliani and Miller which states that the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) is a linear function of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [debt/equity-ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_equity_ratio).

**Momentum**

The amount of acceleration of an economic, price, or [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) movement. A [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) that follows a movement [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) will [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that have recently risen in price.

**Momentum indicators**

[Indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) used in [market analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_analysis) to quantify the [momentum](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#momentum) of upward and downward price movements.

**M-1, M-2 and M-3**

See: [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**MONEP (Marche des Options Negociables de Paris)**

A [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of the [Paris Bourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paris_bourse) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [index options](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option).

**Monetarist**

An economist who believes that changes in the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply) are the most important determinants of economic activity and economic [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle).

**Monetary assets and liabilities**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) with [contractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) payoffs.

**Monetary Control Act of 1980 (MAC)**

Act which requires that all banks and all institutions that accept deposits from the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) make periodic reports to the Federal Reserve System. Starting in September 1981, the Fed charged banks for a range of services that it had provided free in the past, including [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) clearing, wire [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds and the use of automated clearinghouse facilities.

**Monetary gold**

Gold held by governmental authorities as a [financial asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets).

**Monetary indicators**

Economic [indicators](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) of the effects of [monetary policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_policy), such as the condition of the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) market.

**Monetary policy**

Actions taken by the Board of Governors of the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) to influence the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply) or [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Monetary/non-monetary method**

Under this translation method, monetary items (e.g. [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable) and [receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable), and [long-term debt)](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) are translated at the current rate while non-monetary items (e.g. [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset), and [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments)) are translated at [historical rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#historical_exchange_rate).

**Monetization**

The securitization of the gross revenues of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Monetize the debt**

[Financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the [national debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_debt) by printing new [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money), which causes [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) due to a larger [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Money**

[Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and coin that are [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) as legal [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) by the government, a regulatory agency or bank.

**Money base**

Composed of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and coins outside the banking system plus [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) to the deposit [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) banks.

**Money center banks**

Banks that raise most of their funds from the [domestic](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market) and [international money markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_market) , relying less on depositors for funds.

**Money management**

Related: [Investment management](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_management).

**Money manager**

Related: [Investment manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_manager).

**Money market**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) markets are for [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) money for three years or less. The [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a money market can be U.S.government [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) and [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) from banks and [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Money Market Demand Account (M.M.D.A.)**

An account that pays [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) based on [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) interest rates. Same as a Money Market Deposit Account

**Money market fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) only in [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) term [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as bankers' acceptances, [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper), [repurchase agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) and government bills. The [net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) is maintained at $1.00. Such funds are not federally [insured](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), although the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) may consist of [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and/or the fund may have private insurance protection.

**Money market hedge**

The use of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) to lock in the home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) value of a foreign currency transaction.

**Money market instruments**

See: [Cash investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_investments)

**Money market notes**

[Publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that may be [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) by [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) and [Mortgage Backed Securities (MBSs)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Money market security**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) usually of less than one year.

**Money market yield**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) convention based on a 360-day year and semi[annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon). See: [Bond equivalent yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_equivalent_yield).

**Money purchase plan**

A [defined benefit contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_benefit_plan) plan in which the participant contributes some part and the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) contributes at the same or a different rate. Also called an individual account plan.

**Money order**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) backed by a deposit at a certain [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) such as a bank that can be easily converted into cash.

**Money rate of return**

[Annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) as a percentage of [asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_value).

**Money supply**

M1-A: [Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) plus demand deposits.

M1-B: M1-A plus other checkable deposits.

M2: M1-B plus [overnight repos](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overnight_repo), [money market funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund), savings, and small (less than $100M) time deposits.

M3: M-2 plus large time deposits and [term repos](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_repo).

L: M-3 plus other [liquid assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquid_asset).

**Monitor**

To seek information about an [agent's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) behavior; a device that provides such information.

**Monopoly**

Absolute [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of all [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by one [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), due to some barrier to entry of other firms, allowing the firm to sell at a higher price than the socially optimal price.

**Monopsony**

The existence of only one buyer in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), forcing sellers to accept a lower price than the socially optimal price.

**Monte Carlo simulation**

An analytical technique for solving a problem by performing a large number of trail runs, called [simulations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#simulation), and inferring a solution from the collective results of the trial runs. Method for calculating [the probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_distribution) of possible outcomes.

**Monthly income preferred security (MIP)**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) located in a [tax haven](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_haven). The [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) [relends](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to the [parent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company).

**Monthly investment plan**

A plan in which a certain amount is invested each month in order to benefit from [dollar cost averaging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_cost_averaging).

**Montreal Exchange/Bourse de Montreal**

The oldest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Canada [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). The Canadian Market Portfolio Index (XXM) tracks the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) performance of the 25 highest [capitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) stocks [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on at least two Canadian exchanges.

**Moody's investment grade**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) of one through four assigned by [Moody's Investors Service](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#moodys_investment_service) to bonds.

**Moody's Investors Service**

A leading global [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating), research and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) analysis [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Moral hazard**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the existence of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) will change the behavior of one or both parties to the contract, e.g. an insured [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) will take fewer fire precautions.

**Moral obligation bond**

A [tax-exempt bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [municipality](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) or a state [financial intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries) that is backed by the moral, but not legal, [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a state government to appropriate funds in case of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) .

**"More behind it"**

Used in the context of general equities. More [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) exists to be bought or sold by the same buyer or seller, respectively. Often, the buyer or seller does not disclose the full size of his [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell interest as not to affect the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) adversely. See: [May expand](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#may_expand).

**More flexible exchange rate system**

The [International Monetary Fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_fund) name for an [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) system in which rates [float](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) freely.

**Morgan Stanley Capital International (MSCI)**

This [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) publishes a number of well known [benchmarks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark), such as the MSCI World Index.

**Morgan Stanley Capital International Emerging Markets Global Index**

A market [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization)-weighted benchmark [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index)made up of equities from 29 developing countries.

**Morgan Stanley Capital International Europe, Australia, Far East Index**

See: [EAFE Index](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#e.a.f.e._index)

**Morgan Stanley Capital International Europe Index**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of equities from 15 European countries. France, Germany, and the United Kingdom represent about two-thirds of the index.

**Morgan Stanley Capital International Pacific Free index**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) from Pacific Basin countries. Japan represents about three-fourths of the index.

**Morgan Stanley Capital International World Index (MSCI World Index)**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) from 23 countries, including the United States.

**Morgan Stanley REIT Index**

A [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of the most [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) traded [real estate investment trusts (REITs)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate_investment_trust), designed to measure [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) equity performance.

**Morningstar rating system**

A system used in [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund)s and [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) by Morningstar Incorporated of Chicago.

**Mortality tables**

Tables of [probability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) that individuals of various ages will die within one year.

**Mortgage**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) by the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) of some specified [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) property which obliges the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to make a predetermined [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of payments.

**Mortgage-Backed Securities Clearing Corporation (MBSCC)**

"Founded" in 1979, MBSCC is the sole provider of automated post-trade [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison), [netting](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting), [risk management](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_management) and [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) notification services to the [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) market. The organization is a registered [clearing agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clearinghouse) with the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) and majority-owned by its members -- MBS [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), inter-dealer [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and other non-broker/dealers. MBSCC provides its specialized services to major market participants active in various [Government National Mortgage Association (GNMA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association), [Fannie Mae(FNMA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae) and Federal Home Loan Mortgage Corporation (FHLMC) MBS programs.

**Mortgage-backed securities (MSBs)**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) backed by a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Mortgage banker**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or individual that originates [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and sells them to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), while taking care of [borrowers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) payments, records, taxes, and [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance).

**Mortgage bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in which the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) has granted the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) against the [pledged](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pledging) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). See: [Collateral trust bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral_trust_bonds)

**Mortgage broker**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or individual that places [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) with [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender), but does not originate or service loans like a [mortgage banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_banker).

**Mortgage duration**

A modification of standard [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) to account for the impact on duration of [MBSs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) of changes in [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) speed resulting from changes in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). Two [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) are employed: one that reflects the impact of changes in prepayment speed or price.

**Mortgagee**

The [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) by property.

**Mortgage interest deduction**

A federal [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) for [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid on a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) used to [acquire](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer), construct, or improve a residence.

**Mortgage life insurance**

A [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) that pays off the remaining balance of the insured person's [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) at death.

**Mortgage pass-through security**

Also called a [passthrough](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities), a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) created when one or more [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) holders form a [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) ([pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool)) of mortgages and sells [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [participation certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participation_certificates) in the pool. The [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) pool is "passed through" to the security [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) as monthly payments of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), and [prepayments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments). This is the predominant type of [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) traded in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market).

**Mortgage pipeline**

The period from the taking of applications from prospective [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to the marketing of the [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Mortgage-pipeline risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with taking applications from prospective [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) who may opt to decline to accept a quoted mortgage rate within a certain [grace period](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grace_period).

**Mortgage pool**

A group of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) with similar [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class), [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), and [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) characteristics.

**Mortgager**

The [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) by property.

**Mortgage rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Mortgage REIT**

An [REIT](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r.e.i.t.) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) in [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) by [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) which derive income from [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and fees.

**Mortgage servicing**

The [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) of monthly payments and penalties, record keeping, payment of insurance and taxes, and possible [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) , involved with a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Moscow Interbank Currency Exchange (MICEX)**

Established in 1992, the most [liquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) and best organized [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in Russia.

**Most active list**

The [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with the highest [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a certain day.

**Most distant futures contract**

When several [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) are considered, the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) settling last. Related: [nearby futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nearby_futures_contract)

**Most Favored Nation**

A privilege granted by one country to another whereby the products of the privileged country pay the lowest delivered duty paid charged by the granting country.

**Moving average**

Used in charts and [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis), the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) constructed in a period as [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) as a few days or as long as several years and showing [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) for the latest interval. As each new [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) is included in calculating the average, the last variable of the [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) is deleted.

**MTN**

Medium [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), much like [shorter-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper).

**MUD**

A municipal [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) district, which is a political subdivision that administers utility-related services, sometimes requiring the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of special assessment bonds.

**Multibuyer policy**

[Ex-Im Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank) program that provides [credit risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_risk) [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) on export [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to many different buyers.

**Multicurrency clause**

Such a clause on a [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) permits the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to switch from one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to another currency on a [rollover](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rollover) date.

**Multicurrency loans**

Gives the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) the possibility of drawing a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in different [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Multifactor CAPM**

A version of the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) derived by Robert Merton that includes extra-market sources of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) referred to as [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor). Related: [arbitrage pricing theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory)

**Multifamily loans**

[Loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) usually represented by [conventional mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conventional_mortgage) on multi-family rental apartments.

**Multilateral Investment Guarantee Agency (MIGA)**

[Agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) established by the [World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) that offers various forms of [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk) [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) to [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Multilateral netting system**

Elimination of [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) between a [parent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) and several [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary).

**Multinational corporation (MNC)**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that operates in more than one country.

**Multinational netting**

Elimination of [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) within a [multinational corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book).

**Multinational restructuring**

Changing the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of an [MNC's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) by mutual agreement.

**Multi-option financing facility**

A [syndicated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) confirmed [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) line with attached options.

**Multiperiod immunization**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is created that will be capable of satisfying more than one predetermined future [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) regardless of [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) changes.

**Multiple Arbitrage**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) where by the fund employs more than one arbitrage [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy). Portfolio manager opportunistically allocates capital among the various strategies in order to create the best [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)/reward profile for the overall fund. Common strategies include merger arbitrage, [convertible arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_arbitrage), fixed income arbitrage, long/short equities pairs [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), and volatility arbitrage. In the context of equity and private equity [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments), this refers to an investment in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) where by standard multiples ([earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings)/price, [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book)/price) indicate the price is far cheaper than [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) averages.

**Multiple-discriminant analysis (MDA)**

Statistical technique for distinguishing between two groups on the basis of their observed characteristics.

**Multiple-issuer pools**

Under the [GNMA-II](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gnma_ii) program, [pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) formed through the [aggregation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) of individual [issuers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) packages.

**Multiple listing**

An agreement used by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who is a member of a multiple-[listing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) organization, providing the exclusive right to sell with an additional authority and [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) on the part of the listing broker to [distribute](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) the listing to the other [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Multiple peril insurance**

[Insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) which covers a wide variety of property damage.

**Multiple rates of return**

More than one [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) from the same project that make the [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of the project equal to zero. This situation arises when the [IRR](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_rate_of_return) method is used for a project in which [negative cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_cash_flow) follow positive cash flows. For each sign change in the cash flows, there is a different [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return).

**Multiple regression**

The estimated relationship between a [dependent variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dependent_variable) and more than one explanatory variable.

**Multiples**

Another name for [price/earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio) ratios.

**Multiplier**

The [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) multiplier which quantifies the overall effects of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) spending on total income. The deposit multiplier which shows the effects of a change in bank deposits on the total amount of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Multirule system**

A [technical](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that combines mechanical rules, such as the CRISMA (cumulative volume, [relative strength](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_strength), [moving average](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#moving_average)) Trading System of Pruitt and White.

**Municipal bond**

State or local governments offer muni [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or municipals, as they are [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), to pay for special projects such as highways or sewers. The [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) receive is [exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_income) from some [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Municipal bond insurance**

An [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) which [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) payment on [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) in the event of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) .

**Municipal bond fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) in [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by state, city, and/or local governments. The interest obtained from these bonds is passed through to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) and is generally free of federal (and sometimes state and local) [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Municipal improvement certificate**

A [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) used to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) local government projects and services which is [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by a special tax assessment and provides tax-free [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) .

**Municipal Investment Trust (MIT)**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) that buys [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) and usually [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) them until [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), passing the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) income on to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), usually tax-free.

**Municipal notes**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by municipalities in anticipation of tax [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts), [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) from a bond [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), or other revenues.

**Municipal revenue bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) project that is funded by the revenues of the project.

**Mutilated security**

A [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) on which the name of the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer), or some other identifying detail cannot be read.

**Mutual association**

A [savings and loan association](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association) organized as a [cooperative](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cooperative), with members purchasing [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), voting on association affairs, and receiving income in the form of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Mutual company**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that is owned by a group of members and that [distributes](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) income in proportion to the amount of business that members do with the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Mutual exclusion doctrine**

The doctrine that ruled that [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is federal tax-free. In return for this federal [tax exemption](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_income), states and localities cannot tax [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) generated by federal [government securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_securities).

**Mutual fund**

Mutual funds are [pools](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) that are managed by an [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company). They offer [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) a variety of goals, depending on the fund and its investment [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter). Some funds, for example, seek to generate income on a regular [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis). Others seek to preserve an [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). Still others seek to invest in companies that are growing at a rapid pace. Funds can impose a [sales charge,](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge) or [load](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund), on investors when they [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Many funds these days are [no load](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#no_load_mutual_fund) and impose no [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge). Mutual funds are investment companies [regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) by the [Investment Company Act of 1940](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company_act_of_1940). Related: [open-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_end_fund), [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund).

**Mutual fund cash-to-assets ratio**

The portion of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) which exists in cash [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Mutual fund custodian**

A commercial bank or [trust company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust_company) that [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) owned by a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) and sometimes acts as [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent) for the [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Mutual savings bank**

A state-[chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) [savings bank](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bank) which is owned by its depositors and managed by a [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) board of [trustees](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee).

**Mutual fund theorem**

A result associated with the [CAPM](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model), asserting that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will choose to invest their entire [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) in a [market-index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Mutually exclusive investment decisions**

[Investment decisions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) in which the acceptance of a project precludes the acceptance of one or more alternative projects.

**Mutual offset**

A system, such as the arrangement between the [Chicago Mercantile Exchange (CME)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chicago_mercantile_exchange) and [Singapore International Monetary Exchange (SIMEX](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#singapore_international_monetary_exchange)), which allows [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) established on one [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) to be [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) or [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) on another exchange.

**N**

Fifth letter in a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is the company's third class of preferred shares.

**NA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NAMIBIA.

**NAD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Namibian Dollar.

**NASD**

See: [National Association of Securities Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers)

**Nasdaq**

See: [National Association of Securities Dealers Automatic Quotation System](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system)

**NAV**

See: [Net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value)

**NAV Arbitrage**

See: [Net asset value arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value_arbitrage)

**NC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NEW CALEDONIA.

**NE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NIGER.

**NF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NORFOLK ISLAND.

**NFA**

See: [National Futures Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_futures_association)

**NG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NIGERIA.

**NGN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Nigerian Naira.

**NI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NICARAGUA.

**NIC**

See: [Newly Industrialized Countries](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#newly_industrialized_countries)

**NIF**

See: [Note issuance facility](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note_issuance_facility)

**NIO**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Nicaraguan Cordoba Oro.

**NL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NETHERLANDS.

**NLG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Dutch Guilder.

**NMS**

See: [National Market System](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_market_system)

**NO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NORWAY.

**NOK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Norwegian Krone.

**NOBO (Non-Objecting Beneficial Owner)**

A beneficial ("street") security [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) who has not objected to his or her name being released to the Corporation, if the Corporation so requests.

**NPR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Nepalese Rupee.

**NOW**

See: [Negotiable Order of Withdrawal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable_order_of_withdrawal)

**NP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NEPAL.

**NPV**

See: [Net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value)

**NR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NAURU.

**NTE**

Short for Not To Exceed.

**NU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NIUE0.

**NYBOT**

See: [New York Board of Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_board_of_trade)

**NYSE**

See: [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange)

**Naive diversification**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) whereby an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) simply invests in a number of different [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the hope that the [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is lowered. In contrast, mathematical programming can be used to select the best possible investment weights. Related: [Markowitz diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#markowitz_diversification).

**NZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for NEW ZEALAND.

**NZD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the New Zealand Dollar.

**Nagoya Stock Exchange**

Established after World War II, one of the three major [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) markets in Japan.

**Naked option strategies**

An un[hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) making exclusive use of one of the following: [Short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) (selling or writing [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option)), and short put strategy (selling or writing [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option)). By themselves, these [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) are called [naked strategies](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_strategies) because they do not involve an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) or [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-reducing [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in another [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). Related: [Covered option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_option) strategies. Antithesis of [covered option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_option).

**Naked strategies**

Writing an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) without owning the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset). [Holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) is naked because holder may have agreed to sell something not owned.

**Naked writer**

See [Uncovered call writing](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uncovered_call_writing) and [Uncovered put writing](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uncovered_put_writing).

**Named perils insurance**

An insurance policy that names specific [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) covered by the policy.

**NASD form FR-1**

A form required by the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) of foreign [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to ensure that [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) participating in a new [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) make a bona fide [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering).

**Narrow-Based**

Generally referring to an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), it indicates that the index is composed of only a few stocks, generally in a specific [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) group. See also [broad-based](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broad_based).

**Narrow market**

An inactive [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), which displays large [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in prices due to a low [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Narrowing the spread**

Reducing the difference between the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) prices of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Nasdaq small-capitalization companies**

A group of 2000 [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with relatively small [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization), which are [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) separately and have at least two [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker).

**Nasdaq stock market**

The first electronic [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [listing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) over 5000 companies. The Nasdaq stock market comprises two separate [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), namely the Nasdaq National Market, which [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) large, [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the [Nasdaq Smallcap Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nasdaq_small_capitalization_companies) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) emerging growth companies.

**National Association of Investors Corporation**

A Michigan-based association that helps groups establish [investment clubs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_club).

**National Association of Securities Dealers (NASD)**

Nonprofit organization formed under the joint sponsorship of the [investment bankers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) conference and the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) to comply with the Maloney Act, which provides for the [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) of the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market.

**National Association of Securities Dealers Automatic Quotation System (Nasdaq)**

An electronic [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) system that provides price quotations to market participants about the more [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the [OTC market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). About 4000 [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) are included in the Nasdaq system.

**National bank**

A commercial bank approved by the U.S. [Comptroller of the Currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comptroller_of_the_currency), which is required to be a member of and [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [Federal Reserve System](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**National Credit Union Administration**

Federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that oversees and insures the federal [credit union](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_union) system, and is funded by its members.

**National debt**

[Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills), [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and other [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that constitute the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) owed by the federal government.

**National Foundation for Consumer Credit**

A nonprofit organization that seeks to help consumers who have taken on too much [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) by helping them work out payment plans and supplying credit counseling.

**National Futures Association (NFA)**

The [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) [self-regulatory organization](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_regulatory_organization) established in 1982.

**National market**

Related: [Internal market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_market)

**National Market Advisory Board**

Group that advises the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) on establishing a national exchange market system, which is a highly automated, continuous national [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), but that preserves the regional exchanges.

**National Market System (NMS)**

Refers to over-the-counter trading. System of trading [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) stocks under the sponsorship of the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers). Must meet certain criteria for size, [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity. More comprehensive information is available for NMS stocks than for non-NMS stocks traded [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) (high, low, and [last-sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#last_sale) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices), cumulative volume figures, and [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [quotations](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) throughout the day). This is due to the fact that [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) must report the actual price and number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in each [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) within 90 seconds verses [nonreal-time](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_time) reporting for non-NMS stocks (thus, last [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) prices and minute-to-minute volume updates are not possible).

**National Quotation Bureau**

A service that publishes [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [quotes](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) from [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) in [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**National Securities Clearing Corporation (NSCC)**

A clearing corporation that facilitates the [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of accounts among brokerage firms, [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), and other clearing corporations.

**National Stock Exchange (NSE)**

Second-largest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) based in India.

**National tax policy**

The way a country chooses to allocate tax burdens.

**Nationalization**

A government [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) of a private [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Natural**

Used in the context of general equities. Customer buyer or seller, versus a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) or [profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profile_buyer_seller) interest. [Legitimate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legitimate), [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real).

**Natural logarithm**

Logarithm to the base *e* (approximately 2.7183).

**Near money**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that are easily convertible into [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), such as [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) accounts and bank deposits.

**Nearby**

The nearest [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) month of a financial or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) market. Related: [Deferred futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_futures).

**Nearby futures contract**

When several [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) are considered, the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) with the closest [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) is called the nearby futures contract. The next (or the "next out") [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) is the one that settles just after the nearby futures contract. The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) farthest away in time from settlement is called the [most distant futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#most_distant_futures_contract).

**Nearest month**

The [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) that is closest to the present.

**"Need the tick"**

Used for listed equity securities. A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) must [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) up/down at least one [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick) (1/8) in order to comply with [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) governing [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale)/[corporate repurchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_repurchase).

**Negative amortization**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) repayment schedule in which the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) increases, rather than [amortizing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization), because the scheduled monthly payments do not cover the full amount required to amortize the loan. The unpaid [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is added to the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), to be repaid later.

**Negative NPV tie-in project**

A negative-[NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) infrastructure development project that a local government requires of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) engaged in a positive [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) investment project elsewhere in the country.

**Negative carry**

Related: [Net financing cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_financing_cost)

**Negative cash flow**

Occurs when spending in a business is greater than [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Negative convexity**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) characteristic such that the price [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) will be less than the price [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) for a large change in [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of a given number of [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) points. For example, a [fixed-rate mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan) may lose value as rates go down because of [prepayments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments).

**Negative covenant**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that limits or prohibits certain actions unless the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) agree.

**Negative duration**

Occurs when the price of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) moves in the same direction as [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Negative income tax**

A proposal to assist taxpayer with below-subsistence-level incomes. After filing a tax return, such persons would receive a [subsidy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) to bring them up above the poverty level.

**Negative obligation**

A New York Stock Exchange rule that governs the behavior of specialists. Negative obligation is the mandate of the specialists not trade for the specialist's firm's own account when enough public investor orders exist to match up naturally -- without intervention. An example of violating negative obligation is [Trading Ahead](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_ahead). Also see [positive obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#positive_obligation).

**Negative Pledge**

An agreement in which the borrower agrees not to pledge any of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) as [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and/or not to incur further indebtedness.

**Negative pledge clause**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that requires the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to grant [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) equivalent to any liens that may be granted in the future to any other currently unsecured lenders.

**Negative working capital**

Occurs when current [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) exceed current [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), which can lead to [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy).

**Negative yield curve**

When the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on a [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is higher than the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on a [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) security, partially because high [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) are creating a greater demand for short-term [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Neglected firm effect**

The tendency of [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that are neglected by [security analysts](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_analysts) to outperform firms that are the subject of considerable attention.

**Negotiable**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose title is [transferable](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) by [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) . See also: [Negotiable instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable_instrument).

**Negotiable bill of lading**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that grants title of merchandise to the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold), which allows banks to use the merchandise as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral).

**Negotiable certificates of deposit**

Large-[denomination](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) bank [certificates of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) that can be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Negotiable instrument**

An unconditional order or promise to pay some amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money), easily [transferable](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) from one party to another.

**Negotiable order of withdrawal (NOW)**

[Demand deposits](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#demand_deposits) that pay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Negotiable Order of Withdrawal Account (NOW)**

An interest-earning account on which chechs may be drawn. Withdrawals from NOW accounts may be offered by commerical banks, mutual savings banks, and savings and loan associations and may be owned only by individuals and certain nonprofit organizations and govermental [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit).

**Negotiated certificate of deposit**

A large-[denomination](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit), generally $1MM or more, that can be sold but cannot be cashed in before [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Negotiated commission**

An unfixed [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) that is determined through negotiation, depending on the specifics of the [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) performed.

**Negotiated markets**

[Markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which each [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) is separately negotiated between buyer and seller (i.e., an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) and a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer)).

**Negotiated offering**

An [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for which the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term), including [underwriters'](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation), have been negotiated between the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter).

**Negotiated sale**

Determining the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) by negotiation between the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) rather than through [competitive bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competitive_bidding) by underwriting groups.

**Negotiated underwriting**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) process in which the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price paid to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) price are determined by negotiation rather than through [competitive bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competitive_bidding).

**NEO**

Abbreviation for [nonequity options](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_options), which are [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) on foreign currencies, [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), and [stock indexes](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index).

**Net**

The [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) as measured by the selling price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) less the adjusted [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition).

**Net adjusted present value**

The [adjusted present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_present_value) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the initial cost of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Net advantage to leasing**

The [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of entering into a [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) financing arrangement rather than [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) the necessary funds and buying the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Net advantage to merging**

The difference in total post- and pre-[merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of the [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger).

**Net advantage of refunding**

The [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of the savings from a [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding).

**Net after-tax gain**

[Capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) after [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) have been paid.

**Net asset value (NAV)**

The value of a fund's [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). For a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), the net asset value per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) usually represents the fund's [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices), subject to a possible [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [redemption charge](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption_charge). For a [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund), the market price may vary significantly from the net asset value.

**Net asset value arbitrage**

For a number of assets, the most recent transaction price at 4PM ET does not fully reflect all available market information. One example is international equities that trade on exchanges that are located in different time zones and close 2-15 hours before U.S. markets. In addition, domestic small-capitization equities and high-yield and convertible bonds often trade infrequently and have wide bid-ask spreads. This can cause the most recent transaction price to be much different from the price that one would see in a liquid market at 4 PM, even for assets that trade on exchanges that are open at that time. Investors can take advantage of mutual funds that calculate their [NAVs](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) using stale closing prices by trading based on recent market movements. For example, if the U.S. market has risen since the close of overseas equity markets, investors can expect that overseas markets will open higher the following morning. Investors can buy a fund with a stale-price [NAV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) for less than its current value, and they can likewise sell a fund for more than its current value on a day that the U.S. market has fallen. Similar opportunities exist when the values of infrequently or illiquidly-traded domestic assets have recently changed. Also known as Stale Price Arbitrage.

**Net assets**

The difference between [total assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_total_assets) on the one hand and [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities) and [noncapitalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) on the other hand.

**Net benefit to leverage factor**

A linear approximation of a number, that enables one to operationalize the total impact of [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) on firm value in the [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) imperfections view of [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure).

**Net book value**

The current [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability); that is, its original [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) net of any accounting adjustments such as [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Net capital requirement**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) requirement that [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) and nonmember [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer)s maintain a maximum ratio of [indebtedness](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to [liquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) of 15 to 1.

**Net cash balance**

Beginning [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) balance plus [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) cash disbursements.

**Net change**

This is the difference between a day's last trade and the previous day's last trade.

**Net currency exposure**

Exposure to [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) after [netting](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting) all [intracompany](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intracompany_trade) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Net current assets**

The difference between current [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and current [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), also known as [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital).

**Net errors and omissions**

In [balance of payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_of_payments) accounting, net errors and omissions record the statistical discrepancies that arise in gathering balance of payments data.

**Net exposed assets**

Exposed [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) less exposed [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability). This term is used with [market values](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) or, in translation accounting, with [book values](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value).

**Net financing cost**

Also called the [cost of carry](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_carry) or, simply [carry](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#carry), the difference between the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of financing the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and the asset's [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield). Positive carry means that the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) earned is greater than the [financing cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financing_cost_savings); [negative carry](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_carry) means that the financing [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) exceeds the yield earned.

**Net float**

Sum of [disbursement float](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disbursement_float) and [collection float](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection_float).

**Net income**

The [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) total [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), reflecting revenues adjusted for [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of doing business, [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_expense), taxes and other expenses.

**Net income per share of common stock**

See: [Earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share)

**Net interest cost (NIC)**

The total amount of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that will be paid on a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) by a corporate or [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Net investment**

Gross, or total [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Net investment income per share**

Income received by an [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) from [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) less administrative [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), divided by the number of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Net lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) arrangement under which the [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee) is responsible for all [property taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#property_tax), maintenance [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), insurance, and other [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) associated with keeping the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in good working condition.

**Net monetary assets**

See: [Monetary assets less monetary liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monetary_assets_and_liabilities).

**Net operating loss carrybacks**

The application of [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) in previous years.

**Net operating loss carryforwards**

Application of [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) in future years.

**Net operating losses**

[Losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can take advantage of to reduce taxes.

**Net operating margin**

The ratio of net operating income to [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales).

**Net parity**

Antithesis of [gross parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_parity).  
Convertibles: Price of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) including [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest).   
International: Price of international [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) including [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), fees, [stamp duty](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stamp_duty), and other [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), translated into U.S. dollar amounts.

**Net period**

The period of time between the end of the [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) period and the date payment is due.

**Net position**

The value of the [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) subtracting the initial [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of setting up the position. For example, if 100 [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) where [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) for $1 each and the option is currently [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) for $9, the value of the net position is $900 - $100 = $800.

**Net present value (NPV)**

The [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the expected future cash flows [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Net proceeds**

Amount received from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) after deducting all [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Net present value of future investments**

The [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the total sum of [NPVs](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) expected to result from all of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) future [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Net present value of growth opportunities**

A model valuing a firm in which [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of new investment opportunities is explicitly examined.

**Net present value rule**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) is worth making if it has a positive [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value). Projects with negative NPVs should be rejected.

**Net profit margin**

[Net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) divided by [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale); the amount of each sales dollar left over after all [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) have been paid.

**Net quick assets**

[Cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), marketable securities, and [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable) less current [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Net realized capital gains per share**

[Capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) realized by an [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) any capital losses divided by the total number of the company's [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Net sales**

Gross [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) less [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and allowances, freight out, and [cash discounts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_discount) allowed.

**Net sales transaction**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) trading. [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) deal in which the [quoted prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) include [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) (i.e., [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)); looked at another way, the buyer and seller do not pay fees or [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) in addition to the print or [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) prices.

**Net salvage value**

The after-tax net [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) for terminating the project.

**Net tangible assets per share**

All of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) except [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent), [trademarks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trademark), and other [intangible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) all [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) and the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), divided by the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).

**Net transaction**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which no [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) or extra fees are paid, such as in an [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering).

**Net transaction exposure**

[Offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) inflows against outflows in a given [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to determine extent of exposure to [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Net Weight**

The weight of goods being shipped that does not include the weight of wrapping material, container, or other packaging.

**Net working capital**

[Current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities). Often simply referred to as [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital).

**Net worth**

[Common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders' equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholders_equity) which consists of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds), and [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings).

**Net yield**

The [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), or markups.

**Netting**

Reducing [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds between [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) or separate [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to a net amount.

**Netting out**

To get or bring in as a [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net); to clear as [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Network A/Network B**

See: [Consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape)

**neutral**

Describing an opinion that is neither bearish nor bullish. Neutral option strategies are generally designed to perform best if there is little or no net change in the price of the underlying stock or [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). See also [Bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bearish) and [Bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullish).

**Neutral hedge**

[Hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) that is expected to [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) a dollar-neutral result of the combined [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), regardless of price change in any part of the [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). For any convertible [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) at a premium, this ratio is less than 100%. The higher the convertible premium, the lower a ratio must be to be neutral. See: [Delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta).

**Neural Nets**

Models which mimic the massive parallel processing that occurs in the brain.

**Neutral period**

In the Euromarket, a period over which [Eurodollars](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) are sold is said to be neutral if it does not start or end on either a Friday or the day before a holiday.

**Neutral stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of 1.0.

**New account report**

A [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) document including information about a new client. See: [Know your customer](http://www.duke.edu/~charvey/Classes/wpg/bfglosk.htm#know_your_customer).

**New European Exchange (NEWEX)**

A [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) market for Central and East Eurpoean securities established by the Deutsche B&#ouml;rse (German Stock Market) and the Wiener B&#ouml;rse (Austrian Stock Market) in 2000.

**New high/new low**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) valued at its highest or lowest price in the last year.

**New issue**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for the first time, whether in an [IPO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) or as an additional [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is already public.

**New-issues market**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is first sold to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). This is not a separate market but refers to a niche of the overall market.

**New listing**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that has just been entered on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**New money**

In a [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) auction, the amount by which the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) exceeds that of those [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**New York Board of Trade (NYBOT)**

[Formed in June 2004 by the merger of the two historic exchanges (the New York Cotton Exchange (NYCE) and the Coffee, Sugar, & Cocoa Exchange (CSCE)). As a result of this merger, all previous exchanges and subsidiaries ceased to exist, including the Coffee, Sugar, & Cocoa Exchange, the New York Cotton Exchange, the Citrus Associates of the New York Cotton Exchange, the New York Futures Exchange (NYFE), and the FINEX Exchange. All markets are now referred to as the New York Board of Trade or NYBOT.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm" \l "commodity)

**New York Cotton Exchange (NYCE)**

[A historic commodities exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in New York which traded [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on cotton, frozen concentrated orange juice, and potatoes, as well as [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), and index futures and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). In June 2004, the NYCE merged with the Coffee, Sugar and Cocoa Exchange to form the New York Board of Trade. As a result of this merger, all previous exchanges and subsidiaries ceased to exist, including the Coffee, Sugar, & Cocoa Exchange, the New York Cotton Exchange, the Citrus Associates of the New York Cotton Exchange, the New York Futures Exchange (NYFE), and the FINEX Exchange. All markets are now referred to as the New York Board of Trade or NYBOT.

**New York Futures Exchange (NYFE)**

A wholly owned [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_option) on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) composite [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**New York Mercantile Exchange (NYMEX)**

The world's largest physical [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**New York Stock Exchange (NYSE)**

Also known as the [Big Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#big_board) or the [Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**NYSE composite index**

Composite [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) covering price movements of all new world [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) listed on the [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange). It is based on the close of the market on December 31, 1965, at a level of 50.00, and is weighted according to the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) for each [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Print changes in the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) are converted to dollars and cents so as to provide a meaningful measure of changes in the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) price of [listed stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks). The composite index is supplemented by separate indexes for four [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) groups: industrial, transportation, [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility), and [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance).

**New Zealand Stock Exchange**

Automated, screen-based national [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) system based in Wellington.

**Newly Industrialized Countries (NICs)**

NIC's are countries with high-growth [industrial](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) economies, such as Hong Kong and Malaysia.

**"News out"**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). A news story concerning the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) being considered has recently been posted on one of the news services, such as the [Dow Jones](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) News Service or [Reuters](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reuters). A courtesy standard in [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) is to mention that "news is out," in case the other party is unaware of the new development.

**Next day settlement**

[Transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is settled the day after the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution). See: [Settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date).

**Next futures contract**

The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) settling immediately after the [nearby futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nearby_futures_contract).

**Nexus (of contracts)**

A set or collection of something.

**Nifty Fifty**

[Institutional investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) 50 most popular [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Nikkei**

The common term for the Nihon Keizai newspaper, Japan's leading financial newspaper. The Nikkei usually refers to the price-weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of 225 stocks of the first section of the [Tokyo Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tokyo_stock_exchange).

**Nikkei stock average**

Applies mainly to international equities. Price-weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of 225 stocks of the first section of the Tokyo Stock Exchange started on May 16, 1949. Japanese equivalent of the US [Dow](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average).

**Nine-bond rule**

An [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) rule requiring that [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for nine [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or fewer stay on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) for one hour to seek a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**19c3 stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) on a national securities exchange after April 26, 1979, that is exempt from the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule that prohibits [exchange members](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) from participating in [off-board](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#off_board) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**No-action letter**

A letter from the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) agreeing that the [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) will take no civil or criminal action against a party, regarding a specific activity.

**No Adjournment**

Within the text on the [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy), card are the words: "Shares will be voted at this [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) meeting or at any adjournment thereof." If a securityholder strikes out this phrase, the proxy cannot be counted at any adjournment (reconvening) of the meeting.

**"No Autex"**

Used in the context of general equities. "No [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell interest should be entered into the [Autex](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex) (advertising) system." Inquirers do not want exposure of an [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) to affect the price at which they hope to ultimately [transact](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), hence disturbing the customer's picture.

**No book**

Used for listed equity securities. Not much, if any, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is being [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for or [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at the present time by customers or the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**No-brainer**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which it does not take very complex analysis to figure out how [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are going to perform, such as a strong [bull](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) market.

**No-load fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that does not impose a [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission). Related: [Load fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund), [no-load mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#no_load_mutual_fund).

**No-load mutual fund**

An [open-end investment company](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_end_fund) whose [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are sold without a [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge). There can be other [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) charges, however, such as Article [12B-1 fees](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#12b_1_fees). A true no-load fund has neither a [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge) nor a [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) fee.

**No-load stock**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that can be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) from the [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) themselves, so that [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) fees and [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) can be avoided.

**NM**

Abbreviation for "not meaningful".

**Noah Effect**

The tendency of persistent time [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) (0.50<H<1.00) to have abrupt, and discontinuous changes. The [normal distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_distribution) assumes continuous changes in a system. However, a time series which exhibits [Hurst](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent) statistics may abruptly change levels, skipping values either up or down. Mandelbrot coined the term "Noah effect" after the biblical story of the deluge. See: [Joseph Effect](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joseph_effect), [Hurst Exponent](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent), Persistence, [Anti-persistence](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anti_persistence).

**NOB spread**

Notes over [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread). This is the difference in [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) between [Treasury notes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_notes) ([maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) in 2 to 10 years) and Treasury bonds (maturing in 15 or more years), which is [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) using Treasury note and bond [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures).

**No Substitution**

Within the text on a [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) card are the words: "The shareholder appoints certain people (collectively, the proxy committee) with full power of substitution to vote the shares." If the security [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) strikes out this phrase, the proxy cannot be voted if there is a change in the designated proxy committee.

**Noise**

[Price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) and [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) that can confuse interpretation of market direction. Used in the context of general equities. [Stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) activity caused by [program trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading), [dividend rolls](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_trade_roll_play), and other phenomena not reflective of general sentiment. Antithesis of [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real).

**Noisy Chaos**

A chaotic [dynamical system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems) with either [observational](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#observational_noise) or [system noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#system_noise) added. See: [Chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos), [Dynamical Systems](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems), [Observational Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#observational_noise), [System Noise](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#system_noise).

**No-par-value stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with no [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) given in the [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) or [stock certificate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_certificate).

**Nominee Name**

A name that is used by the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) as a generic registered owner on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate). The use of nominee names makes the processing of security [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) easier.

**Nominal**

In name only. Differences in [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) cause the nominal rate to differ from the [effective interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_rate). [Inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) causes the [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_parity) of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to differ from one time to another.

**Nominal annual rate**

An [effective rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_rate) per period multiplied by the number of periods in a year. Same as [annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate).

**Nominal cash flow**

A [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) expressed in [nominal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) if the actual dollars to be received or paid out are given.

**Nominal dollars**

Dollars that are not adjusted for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Nominal exchange rate**

The actual [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) in contrast to the [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real) [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate), which has been adjusted for changes in [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_parity).

**Nominal exercise price**

The [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of a [GNMA](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), which equals the unpaid [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance multiplied by the [adjusted exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjusted_exercise_price).

**Nominal income**

Income that has not been adjusted for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) and decreasing [purchasing power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power).

**Nominal interest rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) unadjusted for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Nominal price**

Price [quotations](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) on [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) for a period in which no actual [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) took place.

**Nominal quotation**

Used in the context of general equities. [Bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) given by a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) for the purpose of [valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#valuation), not as an invitation to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade); must be specifically identified as such by prefixing the quotes FYI (for your information) or FVO (for valuation only).

**Nominal yield**

The income received from a fixed income security in one year divided by its [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). See also: [Coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate).

**Nominee**

A person or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to whom [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or other properties are [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) to facilitate [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), while leaving the customer as the actual owner.

**Nonaccredited investor**

Wealthy, sophisticated [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who do not meet [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) requirements. These investors require less protection because of large financial resources, but only 35 [nonaccredited investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonaccredited_investor) can be included per [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Noncallable**

A [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that cannot be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) whenever desired by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Noncash charge**

A [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), such as [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation), depletion, and [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization), that does not involve any [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) outflow. That is, this is treated as an accounting [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) -- not a real expense that demands cash.

**Nonclearing member**

An [exchange member](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is not able to clear [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), and must pay another [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) to carry out its clearing operations.

**Noncompete**

A provision in a number of employment [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that prohibits an employee from working for a competing [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) for a specified number of years after the employee leaves the firm.

**Noncompetitive bid**

In a [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) auction, [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for a specific amount of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at the price, whatever it may turn out to be, equal to the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) price of the accepted [competitive bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#competitive_bidding).

**Noncompetitive tender**

[Offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to purchase [Treasury securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) at a price equivalent to the weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) or [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of accepted competitive bids in a Treasury auction. Noncompetitive tenders are always accepted in full.

**Noncontributory pension plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) that is fully paid for by the employer, requiring no employee [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution).

**Noncumulative**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Type of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) on which unpaid or Omitted dividends do not [accrue](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). Omitted dividends are, as a rule, gone forever.

**Noncumulative preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) whose [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) must forgo [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments when the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) misses a dividend payment. Related: [Cumulative preferred stock.](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cumulative_preferred_stock)

**Noncurrent asset**

Any [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that is expected to be held for the whole year, not sold or exchanged, such as [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), machinery, or a [patent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent).

**Noncurrent liability**

A [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) due in one year.

**Non-Discretionary Proposal**

A proposition on a [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) card requiring a response from the beneficial owner which does not fall under the [Ten Day Rule](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ten_day_rule). Therefore, the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) cannot vote on behalf of the beneficial owner, it can only vote after specific instructions have been received from the beneficial owner.

**Nondiscretionary trust**

A [personal trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#personal_trust) whose [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) has no discretion in deciding how income will be [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary).

**Nondeductible contribution**

A [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to either a [traditional IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traditional_ira) or [Roth IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#roth_ira). [Income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) is due on the contribution in the tax year for which the contribution is made.

**Nondeliverable Forward Contracts (NDF)**

Agreement regarding a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a specified [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), a specified [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate), and a specified future [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date), that does not result in [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). Rather one party in the agreement makes a payment to the other party on the basis of the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) at the future date.

**Nondiversifiability of human capital**

The difficulty of [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) one's [human capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#human_capital) (the unique capabilities and expertise of individuals) and employment effort.

**Nondiversifiable risk**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that cannot be eliminated by having a large [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of many [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Non-Equity Option**

An option whose [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) entity is not common stock; typically refers to options on physical commodities and [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) options.

**Nonfinancial assets**

Physical [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) such as [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) and machinery.

**Nonfinancial services**

Such things as [freight](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freight_shippers), insurance, passenger services, and travel.

**Noninsured plans**

Defined benefit [pension plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) that are not [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) products. Related: [Insured plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insured_plans).

**Noninterest-bearing note**

A [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) without periodic interest payment, but selling at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) and [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) at [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value). See: [Zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond).

**Nonmarketed claims**

Claims that cannot be easily bought and sold in the [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market), such as those of the government and litigants in lawsuits.

**Nonintermediated debt market**

A [financial market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) in which borrowers (government and large [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation)) appeal directly to savers for debt capital through the securities markets without using a [financial institution as intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries).

**Nonmarketable security**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that cannot be easily bought and sold.

**Nonmember bank**

Depository institution that is not a member of the Federal Reserve System. Specifically, a state-[chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) commercial bank that has elected not to join the System.

**Nonmember firm**

Used for listed equity securities. Brokerage firm that is not a [member](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) of an [organized exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange) ([NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.)). Such [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) either through [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm), or on [regional exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges) where they are members, or in the third market.

**Nonmonetary assets and liabilities**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) with [noncontractual](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) payoffs.

**Nonparallel shift in the yield curve**

A shift in the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve) in which [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) do not change by the same number of [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) points for every [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Related: [Parallel shift in the yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parallel_shift_in_the_yield_curve).

**Nonparticipating life insurance policy**

[Life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) whose [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) do not receive [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend)s, because they are not participants in the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) earned by the insurer on [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) paid.

**Nonperforming asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that is not effectively producing income, such as an overdue [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Nonproductive loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that increases spending power, but is used in business that does not directly increase the economy's output, such as a [leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout) loan.

**Nonpublic information**

Information about a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is not known by the general [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), which will have a definite impact on the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price when released. See: [Insider trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_trading).

**Nonpurpose loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) with [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) pledged as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral), but which is not to be used in securities [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) or [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Nonqualified plan**

A retirement plan that does not meet the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) requirements for favorable tax treatment.

**Nonqualifying annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) that does not fall under an [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service)-approved [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan). [Contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) are made with after-tax dollars, but [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) can [accumulate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_income) until [withdrawal](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withdrawal_plan).

**Nonqualifying stock option**

An employee [stock option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option) that does not satisfy [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) qualifying rules and therefore is liable for taxation upon [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) .

**Nonrated**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that has not been rated by a large [rating agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating_agencies), usually because the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is too small.

**Nonrecourse**

In the case of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default), the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has no ability to claim [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) over and above what the limited partners contributed.

**Nonrecourse loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) for which no partner or related person bears the economic [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). For example, if a [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) fails to repay a [nonrecourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonrecourse) loan, the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has no recourse against any partner except to foreclose of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) used to secure the loan.

**Nonrecurring charge**

A one-time [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) or [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) shown in a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Nonredeemable**

Not permitted, under the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture), to be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable).

**Nonrefundable**

Not permitted, under the terms of an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture), to be [refundable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refund).

**Nonreproducible assets**

A [tangible asset](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tangible_asset) with unique physical properties, like a parcel of land, a mine, or a work of art.

**Nonsterilized intervention**

Taking an action in the foreign exchange market without adjusting for changes in [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) supply.

**Nonsystematic risk**

Nonmarket or [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_risk) [risk factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_factor) that can be eliminated by [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification). Also called [unique risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unique_risk) or [diversifiable risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk). [Systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) refers to risk factors common to the entire economy.

**Nontradables**

Goods and services produced and consumed domestically that are not close substitutes to import or export goods and services.

**Non Vessel Operating Common Carriers (NVOCC)**

An ocean carrier that does not own or operate their own vessels. They use less than full containerloads which they ship on actual ship lines. They [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) their own [bills of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) which are backed up by actual [on board ocean bills of lading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_board_ocean_bill_of_lading) issued to them by the other carrier.

**Nonvoting stock**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that does not entitle the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to vote on the [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [resolutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resolution) or elections.

**No Protest**

Instructions given to a [collecting bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collecting_bank) not to protest a specific item in the event of non payment or non [acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acceptance).

**Normal annuity form**

The manner in which [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) benefits are paid out.

**Normal backwardation theory**

[Holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) that the [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) price will be [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) down to a level below the expected [spot price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price).

**Normal deviate**

Related: [Standardized value](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standardized_value)

**Normal Distribution**

The well known bell shaped curve. According to the [Central Limit Theorem](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_limit_theorem), the [probability density function](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_density_function) of a large number of independent, identically distributed random numbers will approach the normal distribution. In the [fractal](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal) family of [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution), the normal distribution only exists when [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha) equals 2, or the [Hurst exponent](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent) equals 0.50. Thus, the normal distribution is a special case which in time [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) analysis is quite rare. See: Alpha, [Central Limit Theorem](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_limit_theorem), [Fractal Distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_distribution).

**Normal growth firms**

Companies whose [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) grow at a constant rate.

**Normal investment practice**

The [investment history](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_history) of a customer, which is used as a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) to test the bona fide [public offerings](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) requirement of the allocation of a hot [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Normal Market Size (NMS)**

A system that categorizes the size of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that are normal for a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and forces [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) to deal within these sizes.

**Normal portfolio**

A [customized benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#customized_benchmarks) that includes all the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from which a manager normally chooses, weighted as the manager would weight them in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Normal probability distribution**

A [probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_distribution) for a [continuous random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#continuous_random_variable) that forms a symmetrical bell-shaped curve around the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean). This [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) has no [skewness](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#skewness) or [excess kurtosis](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_kurtosis).

**Normal random variable**

A [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) that has a [normal probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_probability_distribution).

**Normal retirement**

The age or number of working years after which a [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) can [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) and receive unreduced benefits immediately.

**Normal trading unit**

See: [Round lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot).

**Normalized earnings**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) that have been adjusted in order to take into account the effect of [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) in the economy.

**Normalizing method**

Making a change in the income account equivalent to the tax savings realized through the use of different [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) methods for [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) and [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) purposes, thus washing out the benefits of the tax savings reported as final [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) to shareholders.

**North American Free Trade Agreement (NAFTA)**

A regional trade pact among the United States, Canada, and Mexico.

**Not a name with us**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Not a [registered market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_competitive_market_maker) in the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), especially in [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) and convertibles, or having nothing [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real) to do.

**Not-for-profit**

An organization established for charitable, humanitarian, or educational purposes that is [exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_income) from some taxes and in which no one in [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Not rated**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) service indicator, neither positive nor negative, showing that a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) has not been rated.

**Not-sufficient-funds check**

A bank [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) having insufficient funds to back it.

**Not held order (NH order)**

Applies mainly to international equities. [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) or [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) in which the customer does not desire to [transact](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) automatically at the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) (market held) but instead has given the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) or [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) ([listed stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks)) time and price discretion in transacting on a [best-efforts basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#best_efforts_sale). This will not [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the broker responsible for missing the price within the limits (limit not held) or obtaining a worse price (market not held). The [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) is marked "not held, disregard tape/DRT, take time" or bears any such qualifying notation, excluding "or better." See: [Held order](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#held_order).

**Note**

[Debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) with initial [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) longer than one year and shorter than 10 years.

**Note agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for [privately placed](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_placement) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Note issuance facility (NIF)**

An agreement by which a [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) of banks [indicates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) a willingness to accept [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) from [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and resell these [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) in the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) markets.

**Notes to the financial statements**

A detailed set of [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) immediately following the [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) in an [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) that explain and expand on the information in the financial statements.

**Notice day**

A day on which notices of intent to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) pertaining to a specified [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) month may be [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Related: [Delivery notice](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery_notice).

**Notice of Meeting**

The legal one-page notice to security [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) stating the date, time and place of the shareholder meeting. This page is normally attached to the front of the [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) statement.

**Notice Period**

The time during which the buyer of a futures contract can be called upon to accept delivery. Typically, the 3 to 6 weeks preceding the [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) of the contract.

**Notification date**

The day the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is either [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) or [expires](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration).

**Notifying Bank**

See: [Advising Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advising_bank)

**Notional principal amount**

In an [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap), the predetermined dollar [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) on which the exchanged [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) are based.

**Nouveau Marche**

An [equity market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of the Paris [Bourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bourse) that deals solely in innovative, high-growth [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Novation**

[Defeasance](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defeasance) whereby the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) is [cancelled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**NPV profile**

A graph of [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) as a function of the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate).

**NRA (Non-Resident Alien) Tax**

The tax which must be withheld by the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or its disbursing [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) (usually 15% or 30%, depending on the [hold's](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) citizenship).

**Nugget**

A 15 year Gold FHLMC (Freddie Mac) bond; similar to a Dwarf.

**Numismatist**

Collector of historical coins and [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**O**

Fifth letter of a Nasdaq stock symbol specifying that it is the company's second class of preferred shares.

**OAS**

**.ob**

See: [Over the Counter Bulletin Board](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#over_the_counter_bulletin_board)

See: [Option adjusted spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_adjusted_spread)

**OCC**

See: [Options Clearing Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_clearing_corporation)

**OTCBB**

See: [Over the Counter Bulletin Board](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#over_the_counter_bulletin_board)

**OECD**

See: [Orgainization for Economic Cooperation and Development](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organization_for_economic_cooperation_and_development)

**OID**

See: [Original issue discount debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#original_issue_discount_debt)

**OM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for OMAN.

**OMR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Oman Rial.

**OSE**

See: [Osaka Securities Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#osaka_securities_exchange)

**OTC**

See: [Over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.).

**OTM**

See: [Out of the money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money).

**OPEC**

See: [Organization of Petroleum Exporting Countries](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organization_of_petroleum_exporting_countries)

**Oath of Inspectors**

A sworn statement signed by the Inspectors of Election, usually notarized, wherein they swear they will impartially and faithfully execute their duties as Inspectors of Election at the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) or special meeting of shareholders.

**Objective (mutual funds)**

The fund's [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) category as stated in the [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus). There are more than 20 standardized categories. E.g. [Aggressive growth](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressive_growth_mutual_fund), [balanced](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balanced_mutual_fund).

**Objective probability**

The true unobservable [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) odds that something is so.

**Obligation**

A legal responsibility, such as to repay a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Obligation bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) with a [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) greater than the value of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) property. The difference is designed to compensate the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) for [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) exceeding the mortgage value.

**Obligor**

A person who has an [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to pay off a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Observational Noise**

The error between the true value in a system and its observed value due to imprecision in measurement. Also called [Measurement Noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#measurement_noise). See: [Dynamical Noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_noise).

**Ocean bill of lading**

Receipt for a shipment by boat, that includes freight charges and title to the merchandise.

**Odd lot**

A [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for less than 100 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Compare [round lot](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot).

**Odd-Lot Buy Back**

An offer made by the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or its [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) to purchase shares from odd-lot shareholders.

**Odd-lot dealer**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who combines [odd lots](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from multiple [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) into [round lots](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_lot) and [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in those round lots.

**Odd-Lot Resale**

An offer made by the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or its [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) to purchase [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) from odd-lot shareholders and immediately resell them in the market, usually in round-lots to institutions, thus saving the corporation the [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) of merely buying shares back.

**Odd-lot short-sale ratio**

The percentage of total [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) sales that is composed of [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Odd-lot theory**

The theory that [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) can be made by making [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) contrary to [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) trading [patterns](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern), since [odd-lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have poor timing. This theory is no longer popular.

**OEX index**

Applies to derivative products. Quotron symbol for the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 100 [index option](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option).

**Off-balance-sheet financing**

[Financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) that is not shown as a [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) on a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet).

**Off-board**

Used for listed equity securities. [Transacted](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) away from a national securities [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) even though the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) itself is [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks), such as on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange), and instead of on the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market, a [regional exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges), or in the [third](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#third_market) or [fourth markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fourth_market) (between customers directly). After 9:30 a.m., if the stock has not opened due to the exchange's discretion, [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) can occur elsewhere, but the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) must assume the role of a quasi-[specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) in the process.

**Off-budget Federal entities**

Federally owned and [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) entities whose [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) are excluded from the [budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) totals under provisions of law. Their [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts), outlays, and surplus or [deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deficit) are not included in budget receipts, outlays or deficits. Their [budget authority](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget_authority) is not included in totals of the budget.

**Off-floor order**

Used for listed equity securities. (1) [Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that originates off the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange); customer orders originating with [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), as distinguished from orders placed by [floor members](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) for their own accounts. [Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) rules require that an off-floor order be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) before orders initiated on the floor. [Upstairs order](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#upstairs_order). Antithesis of [on-floor order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_floor_order); (2) order not handled on the floor but instead [upstairs](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#upstairs_order).

**Offer**

Indicates a willingness to sell at a given price. Related: [Bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**Offer price**

See: [Offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer).

**Offer wanted**

Used in the context of general equities. Notice by a potential buyer of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that he or she is [looking for](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#looking_for) supply from a potential seller of the security, often requiring a [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [commitment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commitment). Antithesis of [bid wanted](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_wanted).

**Offering date**

Date on which a new set of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) will first be sold to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Offering memorandum**

A document that outlines the terms of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to be [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in a [private placement](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_placement).

**Offering scale**

The [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) of prices offered by the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) of a [serial bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with different [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature).

**Offering statement**

A shortened [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) required by the [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) on [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with less than a nine-month [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Offerings**

Often refers to [initial public offerings](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering). When a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) goes [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and makes an offering of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Office of Thrift Supervision (OTS)**

An [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) of the U.S. Treasury department responsible for the U.S. [savings and loan industry](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association).

**Official reserves**

Holdings of gold and [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) by official monetary institutions.

**Official statement**

A statement published by an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of a new municipal [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) describing itself and the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Official settlements balance (overall balance)**

An overall measurement of a country's private financial and economic [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) with the rest of the world.

**Official unrequited transfers**

Include a variety of [subsidies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), military aid, voluntary cancellation of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to international organizations, indemnities imposed under peace treaties, technical assistance, taxes, or fines.

**Offlake**

In the context of project financing, the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of the project's output.

**Offset**

Elimination of a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) by making an opposite [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). Related: [Liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Offshore finance subsidiary**

A wholly owned affiliate incorporated overseas, usually in a [tax haven](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_haven) country, whose function is to [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) abroad for use in either the [parent's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) domestic or foreign business.

**Offshore fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) whose headquarters is based outside the United States.

**"O.K. to cross"**

Used for listed equity securities. "Legal to [cross](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cross) the [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) floor because transactor is not a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) in the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction)."

**Old-line factoring**

[Factoring](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) arrangement that provides [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection), [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), and [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) for [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Oligopoly**

A [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) characterized by a small number of producers who often act together to [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) the supply of a particular good and its [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price).

**Oligopsony**

A [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) characterized by a small number of large buyers who [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) all purchases and therefore the market price of a good or service.

**OM Stockholm AB**

The derivatives market of Sweden, [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) a wide variety of [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures). The [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) trades [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the OMX [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index).

**Omitted dividend**

A [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that was scheduled to be [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare), but that is not voted by the [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) probably because the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) is experiencing financial difficulties.

**Omnibus account**

An account carried by one [futures commission merchant](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_commission_merchant) with another futures commission merchant in which the [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) of two or more persons are combined and carried in the name of the originating [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), rather than designated separately. Related: [Commission house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission_house).

**Omnibus Proxy**

A list issued by depositories detailing their participants, and their holdings, and authorizing the participants to vote their [proxies](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) directly. This type of proxies are issued by [Cede](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cede) & Co. and by certain bank custodians.

**On**

Used in the context of general equities. Conjunction that denotes [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) /[indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication), usually during a pre-[opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) look. "Looks 6 on 6000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at opening." See: [for/at](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#for_at).

**On balance**

Used for listed equity securities. Left over after [pairing off](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paired_off) other [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), usually before the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) but at times at the [close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) (especially during [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) [expirations](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration)). See: [Imbalance of orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#imbalance_of_orders).

**On board**

Used in the context of general equities. [Long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long).

**On Board Ocean Bill of Lading**

An ocean [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) bearing an on board notation, or words indicating that the merchandise is located aboard the vessel for transportation. These notations must be initialed or signed by an authorized employee or [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) of the ship line.

**On Carriage**

Freight [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) arising after the cost of principal international freight costs. These are usually inland freight charges for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) within the buyer's country.

**On a clean up**

Used in the context of general equities. Willingness to participate in part of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) if all of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) available is [spoken for](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spoken_for) except for the "[clean up](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean_up) amount."

**On the close order**

A [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) as close as possible to the [closing price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) of the day.

**On-floor order**

Used for listed equity securities. [Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) originating with a [member](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) on the floor of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) when dealing with his or her own account, versus an [upstairs order](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#upstairs_order). Antithesis of [off-floor order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#off_floor_order).

**On the money**

Used in the context of general equities. [In-line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line), or at the same price, as the last sale.

**On the opening order**

A [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) that is to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the price of the first [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of the day.

**On the print**

Used in the context of general equities. To participate in a [block trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) that has already transpired, as if that customer had been part of the trade originally; often used by a new party looking to participate in a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) that has just happened. See: [Open on the print](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_on_the_print).

**On the run**

The most recently [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) (and typically the most [liquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquid_asset)) [government bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond) in a particular [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) range.

**On the sidelines**

An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who decides not to invest due to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) uncertainty.

**On the take**

Used in the context of general equities. [Price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) moving upward, because more [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) are taking [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), causing offerings to vanish and be replaced by higher ones. Antithesis of [come in](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#come_in), [get hit](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#get_hit).

**On the tape**

Used in the context of general equities. (1) [Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) printed on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape); (2) news displayed on [Reuters](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reuters) or the [Dow Jones News Service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average).

**One-decision stock**

A quality [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is not [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), but rather held for its growth potential.

**One-factor APT**

A special case of the [arbitrage pricing theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory) that is derived from the [one-factor model](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor_model) by using [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) and [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage). It shows that the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on any [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is a linear function of a single [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**144 stock**

Used in the context of general equities. [Restricted stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_stock).

**One-man picture**

When both [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and the [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) come from the same source.

**1/f Noise**

See: [Anti-Persistence](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anti_persistence)

**One-share-one-vote rule**

The principle that all [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) should have equal [voting rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights) in [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and each shareholder should have one vote.

**One-way market**

(1) A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which only one side, the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask), is [quoted](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) or firm. (2) A market that is moving strongly in one direction.

**OPD**

Tape [symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) showing either the first [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) of the day in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) after a delayed [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) or the opening transaction in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose price has experienced a large rise or fall from the previous day's [closing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) price.

**Open**

Used in the context of general equities. Having either [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell interest at the indicated price level and side of a preceding [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). "Open on the [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell side" means looking for buyers/sellers (for someone who is a seller/buyer). Antithesis of [clean](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean).

**Open account**

Arrangement whereby sales are made with no formal [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). The buyer signs a receipt, and the seller records the sale in the [sales ledger](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_ledger).

**Open book**

See: [Unmatched book](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unmatched_book)

**Open contracts**

[Contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that have been bought or sold without completion of the transaction by subsequent sale or purchase, or by making or taking actual [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the financial [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity).

**Open depending on the floor**

Used for listed equity securities. Having room for a customer buyer or seller contingent on the results of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) being [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) (i.e., satisfying the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) and the orders the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [opened up](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_up)). See: [Open on the print](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_on_the_print), subject.

**Open-end credit**

[Revolving line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revolving_line_of_credit) that is extended with every purchase or [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) advance.

**Open-end fund**

Used in the context of general equities. [Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that continually creates new [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) on demand. [Mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the funds at [net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) and may [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) them at any time at the prevailing [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices). Antithesis of [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund).

**Open-end lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) agreement that provides for an additional payment at the [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) of the lease to adjust for any change in the value of the property.

**Open-end mortgage**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) against which additional [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) may be issued. Related: [Closed-end mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_mortgage).

**Open interest**

The total number of [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) traded that have not yet been liquidated either by an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) derivative [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) or by [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery). Related: [Liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Open-market operation**

Purchase or sale of [government securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_securities) by the monetary authorities to increase or decrease the domestic [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Open-market purchase operation**

A systematic program of repurchasing [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) at current [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices), in competition with other prospective [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Open-market rates**

[Interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that are determined in the open [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by supply and demand, as opposed to being set by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board).

**Open order (good-till-cancelled, GTC order)**

[Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that stays [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) until it is completed or the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [cancels](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) it.

**Open-outcry**

The method of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) used at [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), typically involving calling out the specific details of a [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), so that the information is available to all [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders).

**Open Policy**

[A marine cargo insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#with_average) issued to cover various unspecified exports over the life of the policy.

**Open position**

A [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) whose value will change with a change in [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Open on the print**

Used in the context of general equities. [Block trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trader) term for a [block trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) that has been completed with an institutional client and [printed](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print) on the [consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape), but leaves the block trader with [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) available (because the trader has taken a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) to complete the trade) for new customers who are on the opposite side of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to the initiating customer.

**Open repo**

A [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) with no definite term. The agreement is made on a day-to-day basis, and either the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) may choose to terminate. The rate paid is higher than on [overnight repo](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overnight_repo) and is subject to adjustment if rates move.

**Open up**

Used in the context of general equities. [Disclose](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) more information (e.g., the exact price and quantity of one's potential interest). See: [Put pants on it](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_pants_on_it).

**Opening**

The period at the beginning of the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) session officially designated by an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), during which all [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) are considered made "at the opening." Related: [Close](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close).

**Opening Bank**

A bank which establishes a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit).

**Opening price**

The [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range) of [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) at which the first [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) are made or the first [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) are completed on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Opening purchase**

Creation of or increase in a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a given [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Opening sale**

Creation of or increase in a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in a given [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Opening transaction**

Applies to derivative products. (1)[Buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that creates a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) out of a [flat](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flat) one ([writing](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#write) an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) or buying an option [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long)). Antithesis of [closing transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_transaction). (2) First transaction of the day in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Operating Assets**

Another term for [working capital.](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital)

**Operating cash flow**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) minus taxes. Measures the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) generated from operations, not counting [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) spending or [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) requirements.

**Operating cycle**

The [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) time between the [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of materials or services and the final [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) realization from that acquisition.

**Operating expenses**

The amount paid for [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) maintenance or the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of doing business, excluding [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation). [Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) are distributed after operating expenses are deducted.

**Operating exposure**

Degree to which [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) changes, in combination with price changes, will alter a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) future [operating cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operating_cash_flow).

**Operating lease**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term), [cancelable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease). A type of lease in which the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) period is shorter than the life of the equipment, and the [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) pays all maintenance and servicing [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Operating leverage**

Fixed [operating costs](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operating_expenses), which are characterized as [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) because they accentuate variations in [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Operating profit (or loss)**

Revenue from a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) regular activities less [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) and before income [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction).

**Operating profit margin**

The ratio of operating [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) to [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales).

**Operating rate**

The percentage of total production capacity of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), or country that is being used.

**Operating ratios**

Ratios that measures a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) operating efficiency. Examples include profit margin, and sales to assets.

**Operating in the red**

Doing business while losing [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Operating risk**

The inherent or fundamental [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), without regard to [financial risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_risk). The risk that is created by operating [leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage). Also called [business risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_risk).

**Operationally efficient market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) can obtain [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) services that reflect the true [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) associated with furnishing those services. Also called an [efficient market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internally_efficient_market).

**Operations department**

See: [Back office](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#back_office).

**Opex**

See: [Operating Expenses](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#operating_expenses)

**Opinion shopping**

Attempts by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to attain reporting objectives by following questionable accounting principles, with the help of an auditor willing to sanction the practices. Prohibited by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission).

**OPM**

Stands for "other people's money," which refers to [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) funds used to increase the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on invested [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital).

**Oporto**

Portugal's derivatives exchange (Bolsa de Derivados do Oporto) trading [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on the ten-year government [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), Portuguese stock [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), and three-month interbank deposit rate LISBOR (Lisbon Interbank Offered Rate).

**Opportunity cost of capital**

[Expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) that is forgone by investing in a project rather than in comparable financial [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Opportunity costs**

The difference in the actual performance of a particular [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and some other desired investment adjusted for [fixed costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_cost) and [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) costs. It often refers to the most valuable alternative that is given up.

**Opportunity line**

Slope of a graph representing [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) achieved by combining different levels of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) with a single [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) portfolio. Sometimes called [investment opportunity set](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_opportunity_set).

**Opportunity set**

The possible [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) and [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) pairs of all [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that can be constructed from a given set of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Optimal contract**

The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that balances the three types of [agency costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency_costs) (contracting, monitoring, and misbehavior) against one another to minimize the total [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Optimal portfolio**

An [efficient portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficient_portfolio) most preferred by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) because its [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)/reward characteristics approximate the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) utility function. A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that maximizes an investor's preferences with respect to [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Optimal redemption provision**

Provision of a [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture) that governs the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) ability to [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable) the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) prior to their scheduled [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) date.

**Optimization approach to indexing**

An approach to [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing) that seeks to optimize some objective, such as to maximize the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), to maximize [convexity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convex), or to maximize [expected total returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Optimum capacity**

The amount of manufacturing output that creates the lowest [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) per unit.

**Optimum Leverage Ratio**

The [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) level that maximizes the value of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). The [cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital) to the firm is minimized at that same level.

**Option**

Gives the buyer the right, but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) at a set [price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) on or before a given date. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), not [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) options. Buyers of [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) bet that a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) will be worth more than the price set by the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) (the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price)), plus the price they pay for the option itself. Buyers of [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) bet that the stock's price will [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) below the price set by the option. An option is part of a [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) called [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_security), which means these securities derive their value from the worth of an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) investment.

**Option account**

A brokerage account that is approved to hold [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) or [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Option-adjusted spread (OAS)**

(1) The [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) over an [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) [spot rate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) curve, developed as a measure of the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) that can be used to convert dollar differences between theoretical value and [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices). (2) The [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of the [implied call](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#implied_call) embedded in an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities), defined as additional [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis)-[yield spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread). When added to the base yield spread of an MBS without an operative [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) produces the option-adjusted spread.

**Option agreement**

A form that an [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) opening an [option account](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_account) fills out guarantees the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will follow [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) and has the financial resources to settle possible [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Option cycle**

The [cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) of [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) months. The most common [cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle) are: January, April, July, and October (JAJO); February, May, August, and November (FMAN); and March, June, September, and December (MJSD).

**Option elasticity**

The percentage increase in an [option's](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) value, given a 1 percentage point change in the value of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Option holder**

A person who has an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that has not been [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Option margin**

The [margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_requirement) for [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) described in [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t) and in [brokers'](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) individual policies.

**Option mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) for aggressive or conservative [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Option not to deliver**

In the [mortgage pipeline](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline), an additional [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) placed in tandem with the [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_sale) or substitute sale.

**Option premium**

The [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price).

**Option price**

Also called the [option premium](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_premium); the price the buyer of the [options contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) pays for the right to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a specified price in the future.

**Option Pricing Curve**

A graphical representation of the projected price of an option at a fixed point in time. It reflects the amount of time value premium in the option for various stock prices, as well. The curve is generated by using a mathematical model. The delta (or hedge ratio) is the slope of a tangent line to the curve at a fixed stock price. See also [Delta](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delta) and [Hedge Ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge_ratio)

**Option seller**

Also called the [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer); the party who grants a right to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a given price in the future.

**Option series**

A group of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the same [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) with the same [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) and [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) month.

**Option spread**

The [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of the same [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) at the same time in order to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from changes in the size of the [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between different [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Option writer**

See: [Option seller](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_seller)

**Optional dividend**

A [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) can elect to receive either in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or in [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Optional payment bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and/or [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) may be paid in foreign or domestic [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) at the discretion of the [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**Options Clearing Corporation (OCC)**

Applies to derivative products. [Financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that is the actual [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and guarantor of all [listed option](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_option) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Options contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that, in exchange for the [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price), gives the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) buyer the right, but not the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) (or sell) a [financial asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets) at the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) from (or to) the [option seller](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_seller) within a specified time period, or on a specified date ([expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date)).

**Options contract multiple**

A constant, set at $100, that when multiplied by the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) index value gives the dollar value of the [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). That is the dollar value of the underlying stock index = Cash index value x $100 (the [options contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) multiple).

**Options on physicals**

[Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) written on [fixed income securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities), as opposed to those written on futures contracts.

**Or better**

Used in the context of general equities. [Indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) on the [order ticket](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_ticket) of a [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at a price better than the specified [limit price](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price) if a better price can be obtained. Does not imply a [not-held order](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_held_order), but rather puts more emphasis on [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) at the limit if available.

**Oral contract**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) not recorded on paper or on computer, but made vocally which is usually enforceable.

**Order**

Instruction to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), sell, [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver), or receive [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) that commits the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of the "[order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order)" to the terms specified. See: indication, [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry), [bid wanted](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_wanted), [offer wanted](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_wanted).

**Order Book Official**

The exchange employee in charge of keeping a [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) of public limit orders on exchanges utilizing the "marker-maker" system, as opposed to the "specialist system", of [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) orders. See also [Market-Marker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) and [Specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**Order imbalance**

[Orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) of one kind for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) not [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by the opposite orders, which causes a wide [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price).

**Order Parameter**

In a nonlinear [dynamic system](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_systems), a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable)-acting link a macrovariable, or combination of variables-that summarizes the individual variables that can affect a system. In a [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) experiment, involving thermal convection, for example, temperature can be a control parameter; in a large complex system, temperature can be an order parameter, because it summarizes the effect of the sun, air pressure, and other atmospheric variables. See: [Control parameter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control_parameters).

**Order room**

The brokerage firm department receives and processes all [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Order splitting**

Breaking up [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) so that they can be processed as small orders for [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) by [SOES](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.o.e.s.). Prohibited by [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.).

**Order ticket**

A form detailing an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) instruction that a customer gives an account executive.

**Ordering Costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that occur when an order is placed regardless of the size of the order.

**Ordinary income**

The income derived from the regular operating activities of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or individual.

**Ordinary interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) based on a 360-day year instead of a 365-day year, resulting in what can be a significant difference.

**Ordinary shares**

Apples mainly to international equities. [Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of non-U.S. [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in their individual home markets. Usually cannot be [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver) in the U.S. See: [ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.d.r.).

**Organic growth**

Refers to growth achieved by internal investments of the firm. This could be the day to day business of the firm or a division of the firm starting a new business from scratch. This is distinguished from growth by acquisition or merger which involves an outside firm.

**Organization chart**

A chart showing the hierarchical interrelationships of [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) within an organization.

**Organization of Petroleum Exporting Countries (OPEC)**

A [cartel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cartel) of oil-producing countries.

**Organized exchange**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) marketplace where purchasers and sellers regularly gather to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) securities according to the formal rules adopted by the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Original face value**

The [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount of a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) as of its issue date.

**Original issue discount debt (OID debt)**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that is initially [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at a price below [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Original Issue Discount securities (OIDS)**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on which the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) is set considerably below the [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) at the time of issuance so that the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are issued at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) from a [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Original margin**

The [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) needed to [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) a specific new [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position). Related: [Margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin), [security deposit](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_deposit) (initial).

**Original maturity**

[Maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) at [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). For example, a five-year [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) has an original maturity of five years; one year later it has a maturity of four years.

**Origination**

The making of [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Organization for Economic Cooperation and Development (OECD)**

An organization of industrialized countries formed to promote the economic health of its members and to [contribute](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to worldwide development.

**Originator**

A bank, [savings and loan](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association), or [mortgage banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_banker) that initially made a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) loan that is part of a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool). Also, an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) that has worked with the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) from the beginning and is usually appointed manager of the [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate).

**Orphan stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is ignored by research [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) and as a result may be [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at low price earnings ratios.

**Osaka Securities Exchange (OSE)**

Established after World War II, one of the three major securities markets in Japan.

**Oslo Stock Exchange**

An [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) founded in 1819 and trading [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and [stock options](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option) that is considered the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) of Norway.

**OTC Bulletin Board**

An electronic [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) [listing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing) of the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asked_price) of [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that do not meet the requirements to be listed on the [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.) [stock-listing](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_list) system.

**OTC margin stock**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) traded [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) that can be used as [margin securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_security) under [Regulation T](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_t).

**Other capital**

In the balance of payments, other [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) is a [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals) category that groups all the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that have not been included in direct investment, [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) investment, and [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) categories. It is divided into long-term capital and short-term capital and, because of its residual status, can differ from country to country. Generally speaking, other [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) capital includes most [nonnegotiable instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable_instrument) of a year or more, like [bank loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage). Other [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) capital includes [financial assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets) that can be [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) in less than a year such as currency, deposits, and bills.

**Other current assets**

Value of noncash [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), including prepaid [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) and [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable), due within one year.

**Other income**

Income from activities that are not undertaken in the ordinary course of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) business.

**Other long-term liabilities**

Value of [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease), future employee benefits, [deferred taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes), and other [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) not requiring [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) that must be paid over a period of more than one year.

**Other sources**

Amount of funds generated during the period from operations by sources other than [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) or [deferred taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deferred_taxes). Part of [free cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#free_cash_flows) calculation.

**Out**

Used in the context of general equities. (1) No longer [obligated](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) to an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), as it has already been [canceled:](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) (2) advertised on [Autex](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex).

**Out-of-favor industry or stock**

An unpopular [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that usually has a low [price-earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio).

**Out of line**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price that is too high or too low in [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) with similar-quality stocks in the same [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), according to its [price/earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio).

**Out-of-the-money option**

A [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) is "out of the money" if the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) is greater than the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). That is, you have the right to purchase a security at a price higher than the market price, which is not valuable. A [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) is out of the money if the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) is lower than the market price of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security).

**Out of the name**

Used in the context of general equities. To no longer have an [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [profile/](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profile_buyer_seller) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in the stock.

**Out of print**

Not [open on the print](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_on_the_print). See: [Clean](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clean).

**Out there**

Used in the context of general equities. [Indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) gained from their [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) and [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) activity that buyers and/or (more often) sellers are in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and should be found to get their [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). "Feels like IBM is 'out there'."

**Out with**

Used in the context of general equities. Showing of an [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) to another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) by a customer ("he's out with....").

**Outlays**

Payments on [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) in the form of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), the [issuance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), or the [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon).

**Outperform**

In general, this means to do better than some particular benchmark. Mutual Fund XYZ is said to outperform the S&P500 if its return exceeds the S&P500 return. However, this language does not take risk into account. That is, one might have a higher return than the benchmark in a particular year because of higher risk exposure. Outperform is also a term used by analysts to describe the prospects of a particular company. Usually, this means that the company will do better than its industry average. Related: [underperform](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underperform).

**Outright quote**

A [quote](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) in which all the digits of the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) are quoted. See: [Points quote](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#points_quote).

**Outright rate**

Actual [forward rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) expressed in dollars per [currency\_unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), or vice versa.

**Outside director**

A [director](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) who is not an employee of that company and brings in outside experience to help make board decisions.

**Outside market**

Used in the context of general equities. Outside the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) (above the lowest [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) and below the highest [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)).

**Outside of you**

Used for listed equity securities. Another [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for or [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the same price that the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) has put on the floor himself, represented by another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading). These orders may have different [price limits](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price) (possible top or low on floor mentioned to [floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) but not announced in the [crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading)). See: [Matching orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#matched_orders).

**Outsourcing**

Purchasing a significant percentage of intermediate components from outside suppliers.

**Outstanding**

Used in the context of general equities. [Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) held by [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) (verses the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [treasury stock](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_stock)).

**Outstanding Dividends**

[Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) which have been mailed to shareholders of record but not yet cashed. Funds are held until the check is paid, reissued or escheated to the state as abandoned property.

**Outstanding share capital**

[Issued share capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issued_share_capital) less the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that are held as the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [treasury stock](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_stock).

**Outstanding shares**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that are currently owned by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**over-the-counter (OTC)**

A decentralized [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (as opposed to an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) market) where geographically dispersed [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) are linked by telephones and computer screens. The market is for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) not [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange). The [NASDAQ](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.) market is an OTC market for US stocks. Antithesis of [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks).

**Over-the-Counter Bulletin Board**

Over the counter securities trade on a Bulletin Board offered by the National Association of Security Dealers. If the stock is on the bulletin board, it will have a ".ob" suffix.

**Over-the-Counter Option**

An option traded off-exchange, as opposed to a listed stock option. The OTC option has a direct link between buyer and seller, has no secondary market, and has no standardization of striking prices and expiration dates. See also [Secondary Market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market).

**Overage**

Apples mainly to convertible securities. Difference between how much [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) one party must sell and the other wishes to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) for the same amount of [convertible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) in a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap).

**Overall FTC limitation**

A limitation on the FTC equal to foreign source income times US tax on worldwide income divided by worldwide income.

**Overall market price coverage**

Total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) less [intangibles](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset) divided by the total of the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and the [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) and [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) having a prior claim. This is used to determine how much of the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a certain [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of securities would be covered in [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Overbought**

Used in the context of general equities. Technically too high in price, and hence a technical [correction](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correction) is expected. See: [Heavy](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#heavy). Antithesis of [oversold](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#oversold).

**Overbought-oversold indicator**

An [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that attempts to define when [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) have moved too far and too fast in either direction and thus are vulnerable to [reaction](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reaction).

**Overcapitalization**

Said to occur when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) cannot service its [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) even though its [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)/[equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) ratio is not excessive.

**Overdraft**

Provision of instant [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) by a [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) institution.

**Overdraft checking account**

A checking account associated with a [line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) that allows a person to write [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) for more that the actual balance in the account, with a [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charge on the overdraft.

**Overfunded pension plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) that has a positive surplus (i.e., [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) exceed [liabilities)](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Overhang**

Used in the context of general equities. Sizable [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that, if released on the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), would put downward pressure on [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices); prohibits buying activity that would otherwise translate into upward price movement. Examples include [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) held in a [dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) inventory, a large institutional holding, a [secondary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering) still in [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration), and a large [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) about to be [liquidated](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation).

**Overhanging Bond**

A [concertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) do not convert into [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) because the stock has not [appreciated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) in value.

**Overhead**

The [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) of a business that are not attributable directly to the production or sale of goods.

**Overheating**

An economy that is growing very quickly, with the risk of high [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Overinvestment**

In corporate [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), this refers to managers not acting in the best interests of the shareholders and investing too much (potentially in negative net present value projects).

**Overissue**

An excess of [issued shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issued_share_capital) over [authorized shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#authorized_shares).

**Overlap the market**

Used in the context of general equities. Create a [crossed market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crossed_market) by expressing a willingness to sell on the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) side of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) on the [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) side.

**Overlapping debt**

The portion of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) of political subdivisions or neighboring special districts that a municipality is responsible for.

**Overlay strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) of using [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) for [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) allocation by [pension sponsors](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_sponsors) to avoid disrupting the activities of [money managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager).

**Overnight delivery risk**

A [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) brought about because differences in time zones between [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) centers require that payment or [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on one side of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) be made without knowing until the next day whether the funds have been received in an account on the other side. Particularly apparent when delivery takes place in Europe for payment in dollars in New York.

**Overnight position**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at the end of a [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) day.

**Overnight repo**

A [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) with a term of one day.

**Overperform**

To [appreciate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) at a rate faster than appreciation of the overall [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Overreaching**

Used in the context of general equities. Creating artificial volume in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) through activity not generated by normal/[natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural) buyers and sellers in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Overreaction hypothesis**

The supposition that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) overreact to unanticipated news, resulting in exaggerated movements in [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) followed by corrections.

**Overrun**

In the context of project financing, the amount of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) expenditures or funding above the original estimate to complete the project.

**Overshooting**

The tendency of a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) to reflect an especially high rate of [prepayments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) the first time it crosses the [threshold for refinancing](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#threshold_for_refinancing), specially if two or more years have passed since the date of [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) without the [weighted average coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_coupon) of the pool crossing the refinancing threshold.

**Oversold**

Used in the context of general equities. Technically too low in price, and hence a technical [correction](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correction) is expected. Antithesis of [overbought](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overbought).

**Oversubscribed issue**

[Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) are not able to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) all the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) they want, so [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) must allocate the shares or bonds among investors. This occurs when a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is underpriced or in great demand because of growth prospects.

**Oversubscription**

The excess number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) want to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) but are not available due to high demand.

**Oversubscription privilege**

In a [rights issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering), arrangement by which [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) are given the right to apply for any [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that are not taken up.

**Overtrading**

Excessive [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) trading in a [discretionary account](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discretionary_account). [Underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) persuade brokerage clients to purchase some part of a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in return for the purchase by the underwriter of other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from the clients at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium). This [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) is [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by the [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Overvalued**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price that is seen as too high according to the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [price-earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio), expected earnings, or financial condition.

**Overweight**

Usually refers to recommendation that leads an investor to increase their investment in a particular security or asset class. The increase is usually with respect to a benchmark. Suppose that U.S. equities compose 40% of the benchmark portfolio. If one thinks the U.S. will outperform, the investor may increase the exposure to U.S. equity to more than 40%.

**Overwithholding**

[Deducting](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) and paying too much tax that may be refunded to the taxpayer or applied against the next period's [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Overwriting**

A speculative [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) strategy that involves selling [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) or [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that are believed to be overpriced or underpriced; the options are expected not to be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Own foreign offices**

U.S. reporting institutions' [parent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) organizations, branches, and/or majority owned subsidiaries located outside the United States.

**Owner's equity**

[Paid-in capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paid_in_capital) plus donated [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) plus [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings) less [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Ownership-specific advantages**

[Property rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#property_rights) or [intangible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset), including [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent), [trademarks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trademark), organizational and marketing expertise, production technology, and management and general organizational abilities, that form the basis for a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) advantage over other firms.

**P**

Fifth letter of [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying issue is the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) first class of preferred shares.

**P2P**

Business slang, usually used in reference to startups or internet startup,refers to "path to profitability.".

**PA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country Code for PANAMA.

**PAB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Panama Balboa.

**PAC**

See: [Planned amortization class](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#planned_amortization_class)

**PAC**

See: [Preauthorized checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preauthorized_checks)

**PAD**

See: [Preauthorized electronic debits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preauthorized_electronic_debits)

**P/B**

See: [Price to book ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_book_ratio)

**PBGC**

See: [Pension Benefit Guaranty Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_benefit_guaranty_corporation)

**PC**

See: [Participation certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participation_certificates)

**PE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PERU.

**PEFCO**

See: [Private Export Funding Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_export_funding_corporation)

**PEG Ratio**

See: [Prospective earnings growth ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospective_earnings_growth_ratio)

**PEN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Peruvian Nuevo Sol.

**PERC**

See: [Preferred equity redemption stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_equity_redemtion_stock)

**PERLS**

[Principal Exchange-Rated-Linked Securities.](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal_exchange_rated_linked_securities)

**PF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FRENCH POLYNESIA.

**PG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PAPUA NEW GUINEA.

**PGK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Papua New Guinea Kina.

**PH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PHILIPPINES.

**PHP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Philippines Peso.

**PHLX**

See: [Philadelphia Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#philadelphia_stock_exchange)

**PIBOR**

See: [Paris Interbank Offer Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paris_interbank_offer_rate)

**PIK**

See: [Payment-in-kind bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payment_in_kind_bond)

**PIPE**

See: [Private Investment in Public Equity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_investment_in_public_equity)

**PK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PAKISTAN.

**PK**

A suffix that refers to [Pink Sheets](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pink_sheets)

**PKR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Pakistani Rupee.

**PL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for POLAND.

**PLC**

See: [Project loan certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#project_loan_certificate)

**PLN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Polish Zloty.

**PM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAINT PIERRE AND MIQUELON.

**PN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PITCAIRN.

**PN**

See: [Project notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#project_notes)

**PO**

See: [Principal only](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal_only)

**PPP**

See:[Purchasing power parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power_parity)

**PR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PUERTO RICO.

**PRI**

See:[Political risk insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk)

**PS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PALESTINIAN TERRITORY, OCCUPIED.

**PSA**

See: [Public Securities Association](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_securities_association).

**PT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PORTUGAL.

**PTE**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Portugese Escudo.

**P/S**

See: [Price to sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_sales_ratio)

**PV**

See:[Present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value)

**PVBP**

See: [Price value of a basis point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_value_of_a_basis_point)

**PW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PALAU.

**PY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for PARAGUAY.

**PYG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Paraguay Guarani.

**PAC Bond**

Stands for Planned Amortization Class bond. A [tranche](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche) class offered by some [CMOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) that has a [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund) schedule and an ability to make [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments that are not [subordinated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated) to other [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class).

**Pacific Stock Exchange**

Used for listed equity securities. [Regional exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges) located in Los Angeles and San Francisco; only U.S. [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) open between 4:00 and 4:30.

**Pac-Man strategy**

[Takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) defense [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which the prospective [acquiree](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) retaliates against the [acquirer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) by launching its own [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) for the other firm.

**Package mortgage**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) on a house and property in the house.

**Paid-in capital**

[Capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) received from [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in exchange for [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), but not stock from capital generated from [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) or donated. This account includes [capital stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_stock) and [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) credited to accounts other than capital stock. It would also include surplus resulting from recapitalization.

**Paid in surplus**

See: [Paid-in capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paid_in_capital)

**Paid up**

When all payments that are due have been made.

**Paid-up policy**

A [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) in which all [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) that are due have been paid.

**Painting the tape**

Illegal practice by [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) who manipulate the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to create the illusion of high [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity and to attract other [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) who may push up the price.

**Paired off**

Used for listed equity securities. Matched [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell [market orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order), usually pertaining to the pre-[opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) market [picture](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#picture) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or [MOC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_on_close) orders (especially relating to [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures)/[options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [expirations)](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration).

**Paired shares**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) under the same [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that are sold as one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) with one [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate).

**Pairoff**

A [buyback](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buyback) to [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) and effectively [liquidate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) a prior [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Panic buying or selling**

Rapid [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in high [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) in anticipation of sharply rising or falling prices, usually after unexpected news is released.

**Paper**

[Money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper), and other.

**Paper dealer**

A brokerage firm that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) to make a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Paper gain (loss)**

[Unrealized capital gain (loss)](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unrealized_capital_gain_loss) on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) based on a [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) to original [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Par**

Equal to the [nominal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal) or [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) selling at par is worth an amount equivalent to its original issue value or its value upon [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)-typically $1000/bond. See: [Discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount), [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Par bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at its [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value).

**Par value**

Also called the [maturity value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_value) or [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value); the amount that an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) agrees to pay at the [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Par value of currency**

The official [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between two countries' [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Parallel bonds**

[Fixed income instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_instruments) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in the respective [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of the countries where they are placed.

**Parallel loan**

A process whereby two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in different countries [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) each other's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) for a specific period of time, and repay the other's currency at an agreed [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) for the purpose of reducing [foreign exchange risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange_risk). Also referred to as [back-to-back loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#back_to_back_loan).

**Parallel shift in the yield curve**

A shift in economic conditions in which the change in the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on all [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) is the same number of [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) points. In other words, if the three month [T-bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) increases 100 basis points (one %), then the 6-month, 1-year, 5-year, 10-year, 20-year, and 30-year rates all increase by 100 basis points as well. Related: [Non-parallel shift in the yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#non_parallel_shift_in_the_yield_curve).

**Parameter**

A model is a combination of variables, such as [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.d.p.) growth, and coefficients which multiply these variables. The coefficients are often estimated from the data. The coefficients are called parameters.

**Parent company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that [controls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) through its ownership of voting [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), as well as runs its own business.

**Paris Bourse**

National [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) of France.

**Paris Interbank Offer Rate (PIBOR)**

The deposit rate on [interbank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interbank_market) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) market quoted in Paris.

**Parity**

For convertibles, level at which a [convertible security's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) equals the [aggregate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) value of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock); value/worth of the [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) considered only as an [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) ([Conversion ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_ratio) times common price). See: [Conversion value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_value). For international parity, U.S.$ price of a foreign stock's last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) in an overseas [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (Local currency [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price times [forex](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forex) rate times [ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#a.d.r.) ratio). For [listed parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security), condition whereby no party has [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority), and matching thus occurs. For [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) parity, dollar amount by which an option is [in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money). See: [Intrinsic value.](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value)

**Pari passu**

Refers to the equal ranking of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Parity value**

Related: [Conversion value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_value)

**Parking**

Putting [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) into safe [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) such as [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) investments while deciding where to invest the money.

**Parking violation**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Illegal [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by a third party, or the [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) of such a stock, in which the third party's sole reason for holding the stock is to conceal ownership or [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a raider, thus sidestepping the [Williams Act](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#williams_act) requirements of 5% holding limits. See: [Rule 13d](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_13d).

**Part B prospectus**

See: [Statement of Additional Information](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_additional_information)

**Partial**

Used in the context of general equities. [Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) whose size is only part of the [total](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total) customer [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication)/[order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), usually made to avoid a compromise in price and also to get some business instead of losing the customers [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry)/order to a competitor.

**Partial compensation**

Incomplete payment for the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of goods to one party by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back a certain amount of product from the same party.

**Partial Vote**

When only a portion of the total [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in an account is voted. For example, a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) has 1,000 shares and sends out a card to each of four shareholder clients. If only three of the four client cards are returned to the broker, the broker will submit only 3/4ths(750 shares) of the total 1,000 shares to vote. If the fourth card arrives later, an additional vote can be counted.

**Participant risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) of the participants and possibility of non-performance.

**Participant**

A party of a funding. It usually refers to the lowest rank or smallest level of funding.

**"Participate but do not initiate"**

Used for listed equity securities. "Participate in the side of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) by the [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), but do not initiate the interest that causes the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to take place." This kind of order can cause one to "miss stock" because the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) is at the mercy of the player who does initiate the trade. See: [Market order go along](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order_go_along_participating), [percentage order](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#percentage_order).

**Participating buyer/seller**

Used for listed equity securities. (1) Customer willing to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell [in line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line) with [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). (2) [Buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/seller who [goes along](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#go_along) with another buyer/seller in a [percentage order](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#percentage_order).

**Participating convertible preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that can be converted into [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) at the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) of the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold). In contrast, to the usual preferred stock, the value of the preferred stock is [refunded](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refund) to the holder. That is, one gets conversion plus the value of the stock.

**Participating dividend**

[Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) received from ownership of participating [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Participating fees**

The portion of total fees in a [syndicated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) that go to the participating banks.

**Participating GIC**

A [guaranteed investment contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guaranteed_investment_contract) whose [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) is not [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a [crediting rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crediting_rate), but instead receives a [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) based on the actual experience of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) managed by the [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) company.

**Participating life insurance policies**

[Life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) that pays [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) depending on the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) success as provided by few claims and [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) [underwritings](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) and [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Participating preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that provides the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) with a specified [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) plus the right to additional [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) under specified conditions.

**Participation**

The amount of [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) taken directly from another direct [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) or [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter).

**Participation certificates (PC)**

Used in the context of general equities. [Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) representing an interest in a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of funds or in other [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), such as foreign [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), that allow participation in the rise or fall of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or group of securities.

**Participation loan**

A large [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) made by a group of [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender), that enables a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to obtain [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) above the legal lending limit of an individual lender.

**Partner**

Business associate who shares [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Partnership**

Shared ownership among two or more individuals, some of whom may, but do not necessarily, have [limited liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_liability) with respect to [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the group. See: [General partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_partnership), [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership), and [master limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#master_limited_partnership).

**Partnership agreement**

A written agreement among [partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) detailing the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) and conditions of participation in a business ownership arrangement.

**Party in interest**

An [ERISA](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#employee_retirement_income_security_act)-specified individual—such as an administrator, officer, [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary), [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee), [custodian](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#custodian), or counsel—who is prohibited from making certain [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) involving a [retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan). A trustee, for example, would be prohibited from using an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Pass the book**

The process of transferring responsibility for a brokerage firm's [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) account from one office to another around the world in order to benefit from trading 24 hours a day.

**Pass-through coupon rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) paid on a [securitized](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securitization) [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), which is less than the rate paid on the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) by an amount equal to the servicing and [guaranteeing](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) fees.

**Pass-through rate**

The [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) passed through to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) after deducting servicing, [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management), and [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) fees from the gross [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon).

**Pass-through securities**

A [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [fixed income securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities) backed by a package of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) (i.e., mortgages) where the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) receives the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments). Related: [Mortgage pass-through security](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security)

**Passive**

Income or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from business activities in which a person does not materially participate, such as a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership).

**Passive Activity Loss (PAL)**

A [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) incurred in participating in [passive](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive) [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Passive bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) without any [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Passive income**

Income (such as [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income)) that does not come from [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) participation in a business. Specified by the U.S. tax code.

**Passive Income Generator (PIG)**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that favors [passive income](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_income), such as an income-oriented [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership).

**Passive investing**

Putting [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) into a [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) business opportunity that is deemed [passive](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_income) by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) and thus benefits from [tax deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction).

**Passive investment management**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a well [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to represent a broad-based [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) without attempting to search out mispriced [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Passive investment strategy**

See: [Passive investment management](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#passive_investment_management).

**Passive management**

See: [Indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing)

**Passive portfolio**

A [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Passive portfolio strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves minimal expectational input, and instead relies on [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) to match the performance of some [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). A passive strategy assumes that the marketplace will reflect all available information in the price paid for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), and therefore, does not attempt to find mispriced securities. Related: [Active portfolio strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_portfolio_strategy).

**Patent**

The exclusive right to use documented intellectual property in producing or selling a particular product or using a process for a designated period of time.

**Path-dependent option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) whose value depends on the sequence of prices of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) rather than just the final price of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Pattern**

A technical chart formation used to make [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) predictions by following the price movements of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities).

**Pay-as-you-go basis**

A method of paying [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) in which the employer deducts a portion of an employee's monthly [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) to [remit](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#remit) to the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service).

**Pay-to-play**

Attempts by [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) businesses to gain influence with political officials who decide which [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) are awarded the municipality's business.

**Pay-up**

The [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) resulting from a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) into higher-priced [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or the need/willingness of a bank or other [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to pay a higher rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) to get funds. Used in the context of general equities. (1) When an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who wants to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a particular price hesitates and the stock begins to rise; instead of letting the stock go, he "pays up" to buy the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at the higher prevailing price. (2) Buy shares in a high-quality [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) at what is felt to be a high, but supportable, price due to its quality.

**Payable through drafts**

A method of making payment that is used to maintain [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over payments made on behalf of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by personnel in noncentral locations. The [payer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payer) bank delivers the payable through [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) to the payer, which must approve it and return it to the bank before payment can be received.

**Payable date**

The date when [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) are paid to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) or [reinvested](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) in additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Payables**

Related: [Accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable)

**Payback**

The length of time it takes to recover the initial [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of a project, without regard to the [time value of money](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value_of_money).

**Pay-down**

In a [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refund), the amount by which the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) exceeds that of those sold. In the context of general equities, paying a lower price in an [accumulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulation) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Antithesis of [pay-up](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pay_up).

**Payee**

A person receiving payment through any form of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) method.

**Payer**

The person making a payment to a [payee](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payee).

**Paying agent**

An [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) who makes [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) to [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) on behalf of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Payment**

The amount required to repay a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), including [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and fees.

**Payment date**

The date on which [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of record will be sent a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) for the [declared](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#declare) [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Payment float**

[Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company)-written [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that have not yet [cleared](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#clear).

**Payment-in-kind (PIK) bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that gives the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) (during an initial period) either to make [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) payments in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or in the form of additional [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Payments netting**

Reducing fund [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) between affiliates to only a [netted](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#netting) amount. Netting can occur on a bilateral basis (between pairs of [affiliates](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate)), or on a multi-lateral basis (taking all affiliates together).

**Payments pattern**

Describes the [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) pattern of [receivables](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable). The pattern might describe the probability that a 72-day-old account will still be unpaid when it is 73 days-old.

**Payments System**

Collective term for mechanisms (both paper-backed and electronic) for moving funds, payments and [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) among [financial institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) throughout the nation. The Federal Reserve plays a major role in the nation's payments system through [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) of currency and coin, processing of [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), electronic [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds and the operation of automated clearinghouses that transfer funds electronically among depository intitutions; various private organizations also perform payments system functions.

**Payoff diagram**

In [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) pricing, a graph of the value of the option [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) at [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) as a function of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) price.

**Payoff profile**

The slope of a line graphed according to the value of an [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) on the x-axis and the value of a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) taken to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) exposure on the y-axis. Also used with changes in value. See: [Risk profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_profile).

**Payout period**

The time period during which withdrawals from a [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) account or [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) are paid.

**Payout ratio**

Generally, the proportion of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) paid out to the [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend). Morespecifically, the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) cash dividend divided by the firm's [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) in the same [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) period.

**P-coast**

Refers to west coast listed equity securities. See: [Pacific Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pacific_stock_exchange).

**P/E**

See: [Price/earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio)

**P/E effect**

That [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) with low [P/E](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) exhibit higher [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [risk-adjusted returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_adjusted_return) than those with high P/E stocks. Related: [Value manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_manager).

**P/E ratio**

Current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price divided by trailing [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) *or* expected annual earnings per share. Assume XYZ Co. sells for $25.50 per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) and has earned $2.55 per share this year; $25.50 = 10 times $2.55. XYZ stock sells for ten times [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Peak**

The high point at the end of an economic [expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion) until the start of a contraction.

**Pecking-order view (of capital structure)**

The argument that external [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs), especially those associated with the problem of adverse selection, create a dynamic environment in which [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) have a preference, or pecking-order of preferred sources of financing, when all else is equal. Internally generated funds are the most preferred, followed by new [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), and debt-[equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [hybrids](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hybrid). Finally, new equity is at the least preferred source.

**Pegged exchange rate**

[Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) whose value is pegged to another [currency's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) value or to a [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account).

**Pegging**

Making [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in order to stabilize or target its value through [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) intervention.

**Penalty clause**

A clause found in [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) agreements that provides for a penalty in the event of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Penalty tax**

A federal tax that can be applied if a plan [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) does not meet certain requirements when making withdrawals from a tax-advantaged retirement plan (for instance, if the plan holder has not reached age 59-1/2). This penalty tax is owed in addition to any [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) due.

**Pennant**

A chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) resembling a pointed flag, with the point facing to the right, which shows a diminishing variance of price.

**Penny stock**

Used in the context of general equities. [Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that typically sells for less than $1 a [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), although it may rise to as much as $10/share after the [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering), usually because of heavy promotion. All are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.), many of them in the local markets of Denver, Vancouver, or Salt Lake City.

**Pension Benefit Guaranty Corporation (PBGC)**

A federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that insures the vested benefits of [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) participants (established in 1974 by the ERISA legislation).

**Pension fund**

A fund set up to pay the [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) benefits of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) workers after [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire).

**Pension liabilities**

Future [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) resulting from [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) commitments made by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). Accounting for [pension liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_liabilities) varies widely by country.

**Pension parachute**

A form of [poison pill](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#poison_pill) providing that in the event of a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) attempt, any excess [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) can be used to benefit pension plan participants. This prevents the raiding firm from using the pension [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover). In the context of corporate governance, these provisions prevent an acquirer from using surplus [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in the [pension fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_fund) of the target in order to finance an acquisition. Surplus funds are required to remain the property of the pension fund and to be used for plan participants' benefits.

**Pension plan**

A fund that is established for the payment of [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) benefits.

**Pension reversion**

Termination of an [overfunded](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overfunded_pension_plan) defined benefit [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) and replacement of it with a [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) company-sponsored [fixed annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_annuities) plan.

**Pension sponsors**

Organizations that have established a [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan).

**Penultimate profit prospect (PPP)**

The second-lowest-priced of the ten highest-[yielding](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) that is said (by authors O'Higgins and Downes) to be the Dow stock with the best possibility of outperforming the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) as a whole.

**People pill**

A form of [poison pill](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#poison_pill) providing that the entire [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) threatens to resign in the event of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Per annum**

Yearly.

**Per capita debt**

The total [bonded](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) of a municipality divided by the population of the municipality.

**Per stirpes**

A method for [distributing](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of an individual who dies without a valid will. The Latin means for each descendant.

**Percent to double**

Percentage that the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price has to rise (fall) to double the price of the [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) ([put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)).

**Percentage financial statement**

[Balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) and [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) represented as percentages.

**Percentage order**

Used for listed equity securities. [Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_price_order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell a specified percentage (usually 50%) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) (sometimes after a fixed number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) have already traded). See: [participating buyer/seller](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participating_buyer_seller), "[Participate but do not initiate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participate_but_do_not_initiate)."

**Percentage premium**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) over [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity) of a [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) divided by [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity).

**Perfect capital market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which there are never any [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunities.

**Perfect competition**

An idealized [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) environment in which every market participant is too small to affect the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) by acting on its own.

**Perfect forecast line**

Graph of a slope that matches the [forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) of an [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) with the actual exchange rate.

**Perfect hedge**

A situation in which the [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) and the [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) are equal.

**Perfect market assumptions**

Conditions under which the law of one price [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold). The assumptions include [frictionless markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#frictionless_market), rational [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), and equal access to [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) and information.

**Perfect market view (of capital structure)**

Analysis of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) decision, which shows the irrelevance of capital structure in a perfect [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**Perfect market view (of dividend policy)**

Analysis of a decision on [dividend policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_policy), in a perfect [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) environment, that shows the irrelevance of [dividend policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_policy).

**Perfected first lien**

A first attachment on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that is duly recorded with the relevant government body so that the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) will be able to act on it should the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Perfectly competitive financial markets**

[Markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which no [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) has the power to change the price of goods or services. Perfect [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) are characterized by certain conditions: (1) [Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) is [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) less, and access to the [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) is free; (2) information about [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) and [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) opportunities is freely available; and (3) there are many traders, and no single trader can have a significant impact on [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price).

**Performance Accelerated Restricted Stock Award Plans ("PARSAPs")**

Also known as performance-accelerated restricted stock ("PARS") and time-accelerated restricted stock award plans ("TARSAPs"). Grants of restricted stock or restricted stock units which may vest early upon attainment of specified performance objectives. Otherwise, a time-vesting schedule would remain in effect.

**Performance attribution analysis**

The decomposition of a [money manager's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) performance results to explain the reasons why those results were achieved. This analysis seeks to answer questions such as: (1) What were the major sources of [added value](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_added)? (2) Was [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) timing statistically significant? (3) Was [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) timing statistically significant? and (4), was [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) selection statistically significant?

**Performance bond**

A [surety](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surety) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) between two parties, insuring one party against [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) if the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) are not fulfilled. Usually part of a construction contract or supply agreement.

**Performance evaluation**

The assessment of a manager's results, which involves, first, determining whether the [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) added value by outperforming the established [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) ([performance measurement](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement)) and, second, determining how the money manager achieved the calculated [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) ([performance attribution analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_attribution_analysis)).

**Performance fund**

A growth-oriented [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [growth stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock) and [performance stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_stock) with low [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and high [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Performance index**

A risk-adjusted measure of how well a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) has performed.

**Performance measurement**

Calculation of the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) a [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) realizes over some time interval.

**Performance shares**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) paid out to managers only if the company makes certain sales, [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share), or other similar criteria.

**Performance stock**

High-[growth stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock) in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that retains [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) for further growth and therefore pays no [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), but that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) feels has significant future potential.

**Period-certain annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) that provides [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) payments to an [annuitant](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuitant) for a specified period of time.

**Period of digestion**

The time period of often high [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) after a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is released when the [trading price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_price) of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is established by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Periodic call auction**

Selling [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) at intervals throughout the day.

**Periodic payment plan**

[Accumulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) in a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) by making regular payments on a monthly or [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) basis.

**Periodic payments**

A [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of payments from an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity), [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan), or 403(b)(7) account made over a certain [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of years. A payment from an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account), even if over a period of years, is not considered a periodic payment for tax purposes.

**Periodic purchase deferred contract**

A [fixed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_annuities) or [variable annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable_annuities) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for which fixed-amount [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) are paid either monthly or [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly), and that does not begin paying out until a time elected by the [annuitant](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity).

**Periodic rate**

The monthly effective [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). For example, the [periodic rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#periodic_rate) on a [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) card with an 18% [annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate) is 1.5% per month.

**Permanent Assets**

[Fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset) (plant and equipment) and permanent [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets).

**Permanent Current Assets**

The minimum level of [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) needs to continue operation. Because some level is always maintained, they are called permanent current assets.

**Permanent financing**

[Long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) using either [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Permanent spontaneous current Liabilities**

The minimum level of [spontaneous liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spontaneous_liabilities) that is always maintained by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Permissiable nonbank activities**

[Financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) activities closely related to banking that may be engaged in by bank [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) (BHCs), either directly or through nonbank [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary). For example, a BHC might own finance companies or engage in mortgage banking. The Federal Reserve Board determines which activities are closely related to banking. Before making such activities permissible, the Board must determine that performance of the activities by bank holding companies is in the public interest.

**Perpendicular spread**

[Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) involving the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) with similar [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) and different [exercise prices](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Perpetual bond**

[Nonredeemable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with no [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) that pays regular [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) indefinitely.

**Perpetual inventory**

Recordkeeping system in which [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) is updated daily.

**Perpetual warrants**

[Warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) that have no [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Perpetuity**

A constant stream of identical [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) without end, such as a British [consol](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consol).

**Perquisites**

Personal benefits, including direct benefits, such as the use of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) car or [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) account for personal business, and indirect benefits, such as up-to-date office decoration.

**Personal article floater**

Insurance policy attachment designed to cover specified personal valuables.

**Personal exemption**

Amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) a taxpayer can exclude from [personal income](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#personal_income) for each member of the household in calculation of a tax [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Personal income**

Total income received from all sources, including wages, [salaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary), or rents, and the like.

**Personal inflation rate**

The [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) rate as it affects a specific individual.

**Personal property**

Any [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) other than [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate).

**Personal tax view (of capital structure)**

The argument that the difference in personal [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) between income from [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and income from [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) eliminates the disadvantage of the double taxation (corporate and personal) of income from [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Personal trust**

An interest in an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) held by a [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) for the benefit of another person.

**Petrodollars**

Deposits by countries that receive dollar revenues from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of petroleum to other countries; the term commonly refers to [OPEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.p.e.c.) deposits of dollars in the [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Phantom income**

Income from a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) that creates taxability without generating [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Phantom Stock Award**

A type of incentive grant in which the recipient is not [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) actual [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) on the [grant date](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grant_date) but receives an account credited with a certain number of hypothetical shares. The value of the account increases over time based on the appreciation of the stock price and the [crediting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) of phantom dividends. Payout may be settled in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or stock.

**Phantom stock plan**

An incentive scheme that awards [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) bonuses based on increases in the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) stock.

**Phase space**

A graph which shows all possible states of a system. In phase space we plot the value of a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) against possible values of the other variables at the same time. If a system had three descriptive variables, we plot the phase space in three dimensions, with each variable taking one dimension.

**Philadelphia Board of Trade (PBOT)**

A [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) of the Philadelphia Stock Exchange that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) currency futures.

**Philadelphia Stock Exchange (PHLX)**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) trading American and European [foreign currency options](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_option) on [spot exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_exchange_rates).

**Philippine Stock Exchange**

Established in 1992 through the merger of the Manila Stock Exchange and the Makati Stock Exchange, the Philippines'only securities market.

**Phillips Curve**

A graph that supposedly shows the relationship between [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) and [unemployment](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unemployment_rate). It is conjectured that there is a simple trade-off between inflation and unemployment (high inflation and low unemployment, and low inflation and high unemployment). Named after A.W. Phillips. Obviously, the relation between these important [macroeconomic](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#macroeconomics) [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) is more complicated than this simple graph would suggest. For a modern treatment, see work of Robert Lucas.

**Phone switching**

[Transferring](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) between funds in the same [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) family by telephone request. There may be a charge associated with these transfers. [Phone switching](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phone_switching) is also possible among different [fund families](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fund_family) if the funds are held in [street name](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#street_name) by a participating [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Physical asset**

Actual property such as precious metals or [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate). Also called [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets) or tangible assets.

**Physical commodity**

See: [Commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity)

**Physical completion**

The state in which a project is physically functioning, but not yet fully generating [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Physical option**

An option whose underlying security is a physical commodity that is not stock or futures. The physical commodity itself (a currency, [treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) debt [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), commodity) - underlies that option contract. See also [index option](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option).

**Physical verification**

A procedure auditors use to ensure that [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) recorded in the [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) is correct by actually checking out the physical [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**P & I**

Stands for [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Pickup**

The [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) in [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) that occurs when a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) is [swapped](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) for another block of higher-[coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) bonds.

**Pickup bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a relatively high [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) that is close to the date at which it is [callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), meaning that a fall in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) will most likely cause early [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Picture**

Describes [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) quotes for a given [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Used for listed equity securities. Bid and ask prices and quantity information from a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) or from a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) regarding a particular security (i.e., "IBM's 1/4 to 1/2, 5m by 10m").

**Piece**

Apply mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Increment of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in portions of $1000 minimum. Not all bonds can be traded in "pieces," and the increments can vary.

**Pie model of capital structure**

A model of the [debt-equity ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_equity_ratio) of the [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), graphically depicted in slices of a pie that represent the value of the firm in the [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**Pier**

A man made structure extending from the shore against which vessels may lie to load or unload cargo.

**Piggyback registration**

When a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) allows existing [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to be sold in combination with an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of new [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) shares.

**Piggybacking**

A [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in a personal account following a trade just made for a customer. The [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) assumes that the customer is making the trade on valuable [inside information](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_information).

**PIK (Payment-in-kind) securities**

Highly [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculative_grade_bond) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that pay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) or [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) through additional [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or preferred stock.

**Pink sheets**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Daily publication of the [National Quotation Bureau](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_quotation_bureau) that [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of thousands of [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) stocks, as well as the [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) each stock.

**Pip**

Used for listed equity securities. Smallest [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) (i.e., cents for US dollars).

**Pipeline**

The [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) process that must be completed with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) before a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) can be [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to the public.

**Pit**

A specific area of the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) floor that is designed for the trading of [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), individual [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract), or [option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract).

**Pit committee**

A committee of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) that determines the daily [settlement price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_price) of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**PITI**

Stands for [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), taxes, and [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), the four main parts of monthly [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Pivot**

Price level established as being significant by [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) failure to penetrate or as being significant when a sudden increase in [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) accompanies the move through the price level.

**P&L**

[Profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) statement for a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders).

**Place**

The marketing of new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), usually through [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors). See: [Float](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float).

**Placement**

The [transfering](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to a small group of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Placement ratio**

The percentages of last week's new [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) that have been bought from the [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter), according to the Bond Buyer newspaper.

**Plain vanilla**

A term that refers to a relatively simple [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), usually a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) or other derivative that is [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with standard features.

**Plain vanilla swap**

See: [Fixed for floating swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_for_floating_swap)

**Plan agreement**

A document detailing the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) and conditions of a [retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) such as an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account).

**Plan participants**

Employees or other [beneficiaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) who are eligible to receive benefits from a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) employee benefit plan.

**Plan for reorganization**

A plan for reorganizing a firm during the [Chapter 11](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chapter_11_proceedings) [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) process.

**Plan sponsors**

The entities that establish [pension plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan), including private business entities acting for their employees; state and local entities operating on behalf of their employees; unions acting on behalf of their members; and individuals representing themselves.

**Planned amortization class (PAC)**

(1) The [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [CMO](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) that has the most stable [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) and the lowest [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of any class of CMO. Because of a stable [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow), it is considered the least [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) CMO. (2) A CMO [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) class that stipulates [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to a [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund). A PAC directs [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments to the [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement) on a priority [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis) in accordance with a predetermined payment schedule, with prior claim to the cash flows before other CMO classes. Similarly, cash flows received by the [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in excess of the [sinking fund requirement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement) are also allocated to other [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) classes. The prepayment experience of the PAC is therefore very stable over a wide range of prepayment experience.

**Planned capital expenditure program**

[Budgeted](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) or projected [outlays](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outlays) for major expenditures on permanent or [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset) as outlined in the corporate [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Planned financing program**

[Budgeted](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) or projected ways need for reasons or to obtain [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) and [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) as outlined in the corporate [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Planning horizon**

The length of time a model or [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) or plan projects into the future.

**Plant**

The [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of a business including land, buildings, machinery, and all equipment permanently employed.

**Player**

Used in the context of general equities. Customer or [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) who is [actively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) involved in a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in general.

**Playing the market**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in high, uncalculated [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) usually refers to actions of amateur [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Plaza Accord**

Agreement among country representatives in 1985 to implement a coordinated program to weaken the dollar.

**Pledging**

See: [Hypothecation](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hypothecation)

**Plow back**

To [reinvest](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) in a business rather than pay out them out as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). Common practice in high-growth [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Plowback rate**

Related: [Retention rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retention_rate)

**Plug**

A [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) that handles [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) slack in the [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan).

**Plus**

Used to quote a price in 64ths. [Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in government [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) normally give price quotes in 32nds. To quote a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in 64ths, they use pluses; a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who bids 4+ is bidding the [handle](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#handle) plus 4/32 + 1/64, which equals the handle plus 9/64.

**Plus a match**

Used for listed equity securities. [Floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) that someone is on the floor with equal [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) standing who wants to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell at least the same number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at the same price as one's own [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). [Outside](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outside_of_you). See: [Matched orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#matched_orders). Compare to [ahead](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ahead_of_you).

**Plus tick**

Used in the context of general equities. [Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) occurring at a price higher than the previous [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). [Uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade). Antithesis of [minus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus_tick). See: [Short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Plus tick seller**

Used for listed equity securities. A [short seller](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_selling) (referring to the [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) requiring a [plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus_tick) to [short)](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short).

**Point**

The smallest [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of price change quoted, or one one-hundredth of a percent. Related: [Minimum price fluctuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minimum_price_fluctuation) and [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick).

**Point and figure chart**

A price-only chart that takes into account only whole integer changes in price, i.e., a 2-point change. [Point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) and figure charting disregards the element of time and is used solely to record changes in price.

**Point Attractor**

In non-linear dynamics, an [attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor) where all orbits in [phase space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space) are drawn to one [point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point), or value. Essentially, any system which tends to a stable, single valued [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium) will have a point attractor. A pendulum which is damped by friction will always stop, so its [phase space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space) will always be drawn to the point where [velocity](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#velocity) and [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) are equal to zero. See: [Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor), Phase Space.

**Points quote**

An abbreviated form of the outright quote used by [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) in the [interbank market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interbank_market).

**Poison pill**

Anti-[takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) device that gives a prospective [acquiree's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) the right to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or shares of anyone who acquires the firm at a deep [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) to their fair [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value). Named after the cyanide pill that secret government [agents](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) are said to be instructed to swallow if capture is imminent.

**Poison put**

A covenant allowing the [bondholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) to demand repayment in the event of a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover).

**Policy asset allocation**

Way in which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) seeks to assess an appropriate [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) "normal" mix of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that represents an ideal blend of [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and enhanced [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Policy limit**

The maximum dollar amount of coverage provided by an insurance company for a certain policy.

**Policy loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) often made at a below-[market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) from an insurance company to a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) that is secured by the [cash surrender value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_surrender_value) of a [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy).

**Policyholder**

An individual who owns an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy).

**Policyholder loan bonds**

Packaged loans acquired by [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) that are secured by the [cash surrender value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_surrender_value) of the policies, and are [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) as [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Political risk insurance**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with possible negative events such as expropriation of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), changes in tax policy, restrictions on the exchange of [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency), or other changes in the business climate of a country.

**Pool**

In [capital budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budgeting), the concept that [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) projects are [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) out of a [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), and [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), and a weighted-average [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) must be used to calculate investment returns. In [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance), a group of insurers who share [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) and [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in order to spread [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). In investments, the combination of funds for the benefit of a common project, or a group of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who use their combined influence to manipulate prices.

**Pool factor**

The [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance divided by the original principal balance with the result expressed as a decimal. [Pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) are published monthly by the Bond Buyer newspaper for [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_national_mortgage_association), [Fannie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae), and [Freddie Mac (Federal Home Loan Mortgage Corporation)](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) [MBSs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Pooling of interests**

An accounting method for [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) accomplished through the use of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity). The combined [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of the merged entity are consolidated using [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value), as opposed to the [purchase method](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase_method), which uses [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value). The merging entities' [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) results are combined as though the two entities have always been a single entity.

**Porcupine provision**

Often used in risk arbitrage. See: [Shark repellent](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant).

**Portability**

The character of benefits that may be carried from a previous job to the next.

**PORTAL Market**

The trading market for unregistered securities that is operated by NASDAQ.

**Portfolio**

A collection of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), real and/or [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance).

**Portfolio allocation by region**

The [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution), by geographic region, of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold).

**Portfolio asset allocation**

The [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution), by type of [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold).

**Portfolio beta**

Used in the context of general equities. The [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is the weighted sum of the individual asset betas, According to the proportions of the investments in the portfolio. E.g., if 50% of the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is in stock A with a beta of 2.00, and 50% of the money is in stock B with a beta of 1.00,the portfolio beta is 1.50. Portfolio beta describes relative [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility)of an individual [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), taken as a whole, as measured by the individual [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [betas](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of the securities making it up. A beta of 1.05 relative to the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 implies that if the [S&P's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) increases by 10% the portfolio is expected to increase by 10.5%.

**Portfolio diversification**

[Investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in different [asset classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_classes) and in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of many [issuers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) in an attempt to reduce overall investment [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and to avoid damaging a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) performance by the poor performance of a single security, [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), (or country).

**Portfolio expected return**

A weighted average of individual [assets'](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Portfolio insurance**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) using a [leveraged portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_portfolio) in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to create a synthetic put option. The strategy's goal is to ensure that the value of the portfolio does not fall below a certain level.

**Portfolio internal rate of return**

The [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) computed by first determining the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) for all the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) and then finding the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) that will make the present value of the cash flows equal to the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the portfolio.

**Portfolio management**

Related: [Investment management](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_management)

**Portfolio manager**

Used in the context of general equities. Professional responsible for the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of an individual or [institutional investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors), such as a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), [pension fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan), [profit-sharing plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_sharing_plan), [bank trust department](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_trust_department), or insurance company. In return for a fee, the manager has the [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) responsibility to manage the assets prudently and choose which asset types are most appropriate over time. Related: [Investment manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_manager).

**Portfolio opportunity set**

The [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return)/[standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) pairs of all [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that can be constructed from a given set of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Portfolio R2**

Used in the context of general equities. Number between 0 and 1 that measures the strength of correlation of movement between the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio)/[stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). Indeed, the R2 is the square of the correlation. For [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) purposes, the higher the R2, the better.

**Portfolio restructuring**

Applies to derivative products. Recomposition of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) mix by selling off undesired asset types ([equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), or [cash)](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or specific [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) within that [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class), while simultaneously [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) desired types or securities. Often a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is asked to [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) on an old portfolio and give an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) of the desired portfolio. See: [Program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading).

**Portfolio separation theorem**

Theory that an [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) choice of a [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) investment [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) is separate from his attitude towards [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). Related: [Fisher's separation theorem](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fishers_separation_theorem).

**Portfolio theory**

See: [Modern portfolio theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modern_portfolio_theory).

**Portfolio transaction costs**

The [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) associated with [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), including [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), purchase and [redemption fees](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption_fee), exchange fees, and other miscellaneous [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). In a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus), these expenses are listed separately from the fund's [expense ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expense_ratio).

**Portfolio turnover rate**

For an [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company), an [annualized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) rate found by dividing the lesser of [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) by the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Portfolio variance**

Weighted sum of the [covariance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance) and [variances](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Position**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) commitment; the number of [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) bought or sold for which no [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) has been entered into. The [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) is said to have a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position), and the seller of a commodity is said to have a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position). Related: [Open contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_contracts).

**Position building**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to build up a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) or selling [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to create a [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or group of securities.

**Position diagram**

Diagram showing the possible payoffs from a [derivative investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments).

**Position limits**

Applies to derivative products. Maximum [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) available in any one [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) or [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for a given institution. For "bona fide" [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [hedgers](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge), there are no position limits.

**Position self**

Used in the context of general equities. Going [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) in anticipation of a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) movement.

**Position sheet**

Used in the context of general equities. List of [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) and [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) for an individual [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) or desk, at times accompanied by the [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) from the previous [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) session that brought these closing [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Position trader**

A [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) who takes a [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) approach in maintaining [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and does not close out of these [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) until close to the [delivery date](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery_date).

**Positive carry**

Related: [Net financing cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_financing_cost)

**Positive convexity**

A property of option-free [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that the price [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) for a large downward change in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) will be greater (in absolute [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term)) than the price [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) for the same downward change in interest rates.

**Positive covenant (of a bond)**

A [bond covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_covenant) that specifies certain actions the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) must take. Also called an [affirmative covenant](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affirmative_covenant).

**Positive float**

See: [Float](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float)

**Positive obligation**

A New York Stock Exchange rule that governs the behavior of specialists. Positive obligation is the mandate of the specialists to step in and act as either the buyer or the seller public investor orders exist do not match up naturally. Also known as [affirmative\_obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affirmative_obligation). Related: [negative\_obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_obligation).

**Positive yield curve**

When [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) are higher than [short-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term_debt) rates (because of the increased [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) involved with [long-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term_debt) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security)).

**Possessions corporation**

A type of [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) permitted under the US tax code whose branch operation in a US possession can obtain tax benefits as though it were operating as a foreign [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary).

**Post**

Particular place on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) where [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) on the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) occur.

**Post-audit**

A set of procedures for evaluating a [capital budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_budgeting) decision after the fact.

**Post-dated check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that becomes payable and negotiable on a future date specified.

**Post-Money Valuation**

The value of a company after its most recent round of financing. Related: [Pre-Money Valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pre_money_valuation)

**Postponement option**

The option of deferring a project without eliminating the possibility of undertaking it.

**Postponing income**

Purposely delaying [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) of income to a later year in order to reduce current [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability).

**Post-trade benchmarks**

[Prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) after the decision to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Pot**

The portion of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is returned to the managing [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) by the participating [investment bankers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**Pot is clean**

Phrase used when [managing underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#managing_underwriter) has sold the entire [pot](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pot).

**Potential Default**

A condition where a [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) may occur in time.

**Power of attorney**

A written authorization allowing a person to perform certain acts on behalf of another, such as moving of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) between accounts or [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) for a person's benefit.

**Praecipium**

The amount of the front-end fee not [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to the joining members of a [syndication](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Prearranged trading**

Possibly fraudulent practice whereby [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) carry out [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-free [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at predetermined prices to acquire tax advantages.

**Preauthorized checks (PAC)**

[Checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that are authorized by a [payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payer) in advance, and written either by the [payee](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payee) or by the payee's bank and then deposited in the payee's bank account.

**Preauthorized electronic debits (PAD)**

[Debits](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debit) to a bank account in advance by the [payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payer). The payer's bank sends payment to the [payee's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payee) bank through the [Automated Clearing House (ACH)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#automated_clearing_house) system.

**Preauthorized payment**

Accelerating [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) inflows by directly charging a customer's bank [account](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#account) with permission.

**Pre Carriage**

Usually freight charges for port or airport delivery arising before the principal international carriage.

**Precautionary demand (for money)**

The need to meet unexpected or extraordinary contingencies with a buffer stock of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Precautionary motive**

A desire to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in order to be able to deal effectively with unexpected events that require [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [outlay](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outlays).

**Precedence**

The established system of priorities of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange). For example, the highest [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and lowest [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) have highest precedence; the first [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or first [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at a price has highest priority, and large [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) have priority over smaller orders.

**Precious metals**

Gold, silver, platinum, and palladium, which are used for their [intrinsic value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value) or for their value in production. These may be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) either in their physical state or by way of [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) and [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract), mining [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), or other [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Precompute**

Method of charging [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in which the [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is either deducted from the face amount of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) when the funds are [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) or is added to the total amount and divided into the regular payments.

**Preemptive right**

[Common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) right to anything of value [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) by the[company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Preference**

Refers to [over-the-counter trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Selection of a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to handle a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) despite the dealer's [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) not being the best available. Often the "preferenced dealer" will then move his market [in line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line).

**Preference share**

[Preferred shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_shares) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that have first claim to preferred [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Preference stock**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that ranks junior to [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) but senior to [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) in the right to receive payments from the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm); essentially junior preferred stock.

**Preferred dividend coverage**

[Net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) after [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and taxes (before [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend)) divided by [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) dividends.

**Preferred equity redemption stock (PERC)**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that converts automatically into [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) at a stated date. A limit is placed on the value of the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) receives.

**Preferred habitat theory**

A [biased expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#biased_expectations_theories) that believes the [term structure](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates) reflects the expectation of the future path of [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) as well as [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium). The theory rejects the assertion that the [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) must rise uniformly with [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), but instead [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) that to the extent that the demand for and supply of funds do not match for a given maturity [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range), some participants will shift to maturities showing the opposite imbalances, as long as they are compensated by an appropriate risk premium whose magnitude will reflect the extent of aversion to either price or [reinvestment risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_risk).

**Preferred shares**

Preferred shares give [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) a fixed [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) from the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and entitle them to be paid before common shareholders. See: [Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Preferred stock**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that shows ownership in a corporation and gives the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a claim, prior to the claim of [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), on [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and also generally on [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the event of [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation). Most preferred stock pays a fixed [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that is paid prior to the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) dividend, [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) in a dollar amount or as a percentage of [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). This stock does not usually carry [voting rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights). Preferred stock has characteristics of both common stock and [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Preferred stock agreement**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Preferred stock ratio**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) at [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) divided by total [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization), which gives the portion of capitalization that consists of preferred stock.

**PREG**

[Financial ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_ratio) defined as stock price divided by [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) over earnings growth. Often used in the valuation of Internet stocks. Related: [PSSG](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pssg).

**Preliminary estimate**

The second estimate of [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.d.p.) released about two months after the measurement period.

**Preliminary prospectus**

An initial or tentative version of a [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus).

**Premature distribution**

A [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from an [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) before the owner reaches age 59-1/2. Generally, a 10% penalty tax is owed on such a distribution. Also known as an [early distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#early_distribution) or an [early withdrawal](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#early_withdrawal).

**Premium**

(1) A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) sold above its [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). (2) The price of an [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract); also, in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) trading, the amount by which the [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price) exceeds the price of the spot commodity. (3) For [convertibles](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond), amount by which the price of a convertible exceeds [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity), and is usually expressed as a percentage. Suppose a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at $45, and the [bond is convertible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) at a $50 stock price and the convertible bond trading at 105. A similar bond without the conversion feature trades at $90. In this case, the premium is $15, or 16.66%=(105-90)/90. If the [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) is high, the bond trades like any fixed income bond; if low, like a stock. See: [Gross parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_parity), [net parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_parity). (4) For futures, excess of fair value of future over the [spot index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_futures_parity_theorem), which in theory will equal the [Treasury bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) for the period to [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the expected [dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield) until the future's expiration. (5) For options, price of an option in the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (sometimes refers to the portion of the price that exceeds [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity)). (6) For [straight](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straight) equity, price higher than that of the last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market). Related: [Inverted market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inverted_market) premium [payback period](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payback). Also called [break-even time](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#break_even_time); the time it takes to recover the premium per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security).

**Premium bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that is selling for more than its [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Premium income**

The income received by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who sells an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Premium raid**

An attempt to acquire a large portion of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to gain [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) by offering [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) over the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) for their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Pre-Money Valuation**

The value of a company just before its most recent round of financing. Related: [Post-Money Valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#post_money_valuation)

**Prepackaged bankruptcy**

A [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) in which a [debtor](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and its [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) pre-negotiate a plan of [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) and then file it along with the bankruptcy petition.

**Prepaid interest**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) account showing [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that has been paid in advance, which is [expensed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) and charged to the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [P & L](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_and_l) statement.

**Prepayment penalty**

A fee a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) pays a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) when the borrower repays a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) before its scheduled time of [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Prepayment speed**

Also called [speed](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speed), the estimated rate at which mortgagors pay off their loans ahead of schedule, critical in assessing the value of [mortgage pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security).

**Prepayments**

Payments made in excess of scheduled [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) repayments.

**Prerefunded bond**

Refunded [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Prerefunding**

Procedure of [floating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) a second [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at a lower [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) in order to pay off the first [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at the first [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date) and to reduce overall [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Presale order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) part of a new [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is accepted by an [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate) before an official [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering).

**Present value**

The amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) today that is equivalent in value to a payment, or to a stream of payments, to be received in the future. To determine the present value, each future [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) is multiplied by a [present value factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value_factor). For example, if the [opportunity cost](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opportunity_costs) of funds is 10%, the present value of $100 to be received in one year is $100 x [1/(1 + 0.10)] = $91.

**Present Value Components Analysis**

An analytical tool that establishes a base [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) for a project that can then be adjusted for the incremental NPV effect of separate elements of the project's overall potential [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Present value factor**

[Factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) used to calculate an estimate of the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of an amount to be received in a future period. If the [opportunity cost](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opportunity_costs) of funds is 10% over next year, the factor is [1/(1 + 0.10)].

**Present value of growth opportunities**

[Net present value (NPV)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is expected to make in the future.

**Present Value Index (PVI)**

The ratio of the [NPV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of a project to the initial [outlay](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outlays) required for it. The [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) is an [efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#efficiency) measure for [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) decisions under [capital rationing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_rationing).

**President**

Highest-ranking officer in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) after the [chief executive officer](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chief_executive_officer).

**Pre shipment Finance**

Short [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) funding for [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) and production [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) associated with manufacturing goods being exported.

**Presidential election cycle theory**

A theory that [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) can be predicted and explained by the four-year presidential election cycle.

**Pre-sold issue**

An [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is sold out before the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) announcement.

**Pre-tax contribution**

Payment to an account made with funds from a worker's pay[check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) before federal [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) are deducted.

**Pretax earnings or profits**

[Net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) before federal [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) are subtracted.

**Pretax rate of return**

Gain on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) before taxes.

**Pre-trade benchmarks**

[Prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) occurring before or at the decision to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Previous balance method**

Method of calculating [finance charges](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance_charge) based on the account balance at the end of the previous month.

**Price of admission**

Used in the context of general equities. [Cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) to become a [player](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#player) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in an inordinately [aggressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) (i.e.,[locking](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lock) on one side, size or price [concessions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#concession)); [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) becomes aggressive in order to break the domination of customer activity by another [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Price-book ratio**

Compares a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) to the value of total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) less total [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) ([book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value)). Determined by dividing current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price by [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholder equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity) per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) ([book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value)), adjusted for [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split). Also called [Market-to-Book](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_book_ratio).

**Price change**

Increase or decrease in the [closing price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) compared to the previous day's closing price.

**Price compression**

The [limitation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_price) of the price [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) potential for a [callable bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable) in a declining [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) environment, based on the expectation that the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) will be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) at the [call price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_price).

**Price continuity**

Minimal price changes due to [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Price discovery process**

The process of determining the [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the marketplace through the interactions of [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sellers.

**Price-earnings ratio**

Shows the multiple of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) at which a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) sells. Determined by dividing current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price by current [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share) (adjusted for [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split)). Earnings per share for the [P/E](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e) ratio are determined by dividing earnings for past 12 months by the number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding). Higher multiple means [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have higher expectations for future growth, and have bid up the stock's price.

**Price effect**

Impact of a change in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) prices.

**Price elasticities**

The percentage change in quantity divided by a percentage change in the price. Answers the question: How much will the demand for my product decrease if I raise prices by 10%?

**Price gap**

A term used when the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) rockets or dives in a direction away from its last price [range](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#range), such as a stock with a [trading range](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_range) of $10-$12 that closes at $12 and climbs to $14 the next day.

**Price give**

Used in the context of general equities. Willingness of a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or seller to negotiate on price, within reason, from the price at the last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or the [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) level. See: [Takes price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takes_price).

**Price immunization**

Portfolio protection [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that focuses on the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_market_value) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Price impact costs**

Related: [Market impact costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_impact_costs)

**Price indexes**

See: [Consumer price index](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_price_index) and [producer price index](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#producer_price_index)

**Price leadership**

A price charged by the dominant producer that becomes the price adopted by all the other producers.

**Price momentum**

Related: [Relative strength](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_strength)

**Price persistence**

Related: [Relative strength](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_strength)

**Price range**

The interval between the high and low prices over which a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) over a particular period of time.

**Price risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that the value of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) (or a [portfolio)](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) will decline in the future. Or, a type of [mortgage pipeline risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline_risk) created in the production segment when [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) are set for the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) in advance of setting terms for [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). If the general level of rates rises during the production [cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#business_cycle), the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) may have to sell the originated loans at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount).

**Price-sales ratio**

Determined by dividing current [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price by revenue per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) (adjusted for [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split)). Revenue per share for the [P/S](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_and_s) ratio is determined by dividing revenue for past 12 months by number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).

**Price-specie flow mechanism**

Adjustment mechanism under the classic [gold standard](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_standard) allowing disturbances in the price level in one country to be wholly or partly [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by a countervailing flow of specie ([gold coins](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gold_coins)) that would act to equalize prices across countries and automatically bring international payments into balance.

**Price spread**

An [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling two [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with the same [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) month, but with different [exercise prices](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Price support**

Government intervention to set an artificially high price through the use of a price floor designed to aid producers.

**Price takers**

Individuals who respond to rates and [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) by acting as though prices have no influence on them.

**Price uncertainty**

Chance that the future price of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) will change.

**Price value of a basis point (PVBP)**

Also called the dollar value of a basis point; a measure of the change in the price of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) if the [required yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_yield) changes by one [basis point](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point).

**Price-volume relationship**

A relationship espoused by some [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts) that signals continuing rises or falls in [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) that are related to changes in [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) traded.

**Price-weighted index**

An [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) giving a greater influence to higher-valued [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by weighting all component stocks by their price.

**Prices (of equity)**

Price of a [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) on the date shown. Highs and lows are based on the highest and lowest [intraday](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intraday) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) price.

**Priced out**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has already incorporated information, such as a low [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), into the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Pricey**

Term used for an unrealistically low [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) price or unrealistically high [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) price.

**Pricing efficiency**

Also called [external efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#external_efficiency); a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) characteristic that [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) at all times fully reflect all available information that is relevant to the valuation of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Primary dealer**

Usually refers to the select list of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) firms that are authorized to deal in new [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond).

**Primary distribution**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), as distinguished from a [secondary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering).

**Primary earnings per (common) share**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) available for the payment of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to [common stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) divided by the number of [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).

**Primary market**

Where a newly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is first offered. All subsequent [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) of this security occurs is done in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market).

**Primary offering**

Direct/[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) newly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) by the firm to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Primary trend**

General movement in price data that lasts 4 to 4 1/2 years.

**PRIME**

Stands for Prescribed Right to Income and Maximum Equity, a [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) that entitles the owner to the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend)/income from an [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security), but not to the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) of that [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Prime broker**

This refers to a large financial institution that offers services to large institutional clients or hedge funds. It is possible for a firm to have more than one prime broker. Importantly, the firm is not obligated to all of its business through the prime broker. The prime broker offers a variety of services which includes but is not limited to execution of trades, settlement, financing and custody.

**Prime paper**

The highest-quality, [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment)-grade [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) of [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) as decided by [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) agencies such as Moody's.

**Prime rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) at which banks lend to their best ([prime](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prime_rate)) customers. More often than not, a bank's most [creditworthy](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness) customers [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) at rates below the prime rate.

**Prime rate fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) portions of corporate [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) from banks and pays the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Primitive security**

An [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) such as a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for which payments depend only on the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) status of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Principal**

(1) The total amount of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) being [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or [lent](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend). (2) The party affected by [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) decisions in a [principal-agent relationship](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal_agent_relationship).

**Principal-agent relationship**

Occurs when one person, an [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), acts on the behalf of another person, the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Principal amount**

The face amount of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt); the amount [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) or [lent](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend). Often called [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal).

**Principal Exchange-Rated-Linked Securities (PERLS)**

A [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) with its [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) in U.S. dollars, but with [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) repayment depending on the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) of the U.S. dollar against a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency).

**Principal Finance**

Usually refers to the area within an investment bank that deals with high grade fixed income. This group will not just trade bonds on the secondard market but will be actively involved in the debt financing of new projects. Many firms have Principal Finance Officers.

**Principal Finance Officer**

The head of an investment bank's Principal Finance division or a person that overseas the principal finance dealings of a firm. These dealings usually involve high grade bonds that are used to finance new projects for firms.

**Principal-only (PO)**

A [mortgage-backed security (MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities)) whose [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) receives only [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) on the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [mortgage pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pool). All the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) due from the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) pool is paid to the registered holder of the [stripped MBS](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.m.b.s.) on the basis of the current [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of the underlying collateral pool.

**Principal stockholder**

A [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) who owns 10% or more of the [voting stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_stock) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company). Such stockholders must [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) all [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) pursuant [insider trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_trading) rules.

**Principle of diversification**

That [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of different sorts of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) differently correlated with one another will have negligible [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk). In other words, unsystematic risks disappear in [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) portfolios, and only [systematic risks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) persist, those related to particular assets.

**Print**

Used in the context of general equities. As a verb [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), evidenced by its printing on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape). As a noun, a trade.

**Prior-lien bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) usually arising from [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) with precedence over another [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of the same issuing [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is equally [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_bond).

**Prior-preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) that has a higher claim on all [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) than claims of other preferred stock.

**Priority**

Used for listed equity securities. System used in an auction market, in which the first [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) before other bid and offer prices, even if subsequent [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) are larger. [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) rules stipulate that the bid made first should be executed first, or if two bids came in at once, the bid for the large number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) receives "priority." The bid not executed is then turned to the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), who informs the customer that the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) was not completed because there was [stock ahead](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_ahead). See: [Standing](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standing).

**Private Export Funding Corporation (PEFCO)**

[Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that mobilizes private [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) for [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) the export of big-ticket items by US [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) by purchasing at fixed [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) the medium- to [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of importers of US products.

**Private Investment in Public Equity (PIPE)**

Occurs when private investors take a sizable investment in publicly traded corporations. This usually occurs when equity valuations have fallen and the company is looking for new sources of capital. This is a means by which a public company gets additional access to the equity markets in express mode-- they already have public shares trading and this is an additional offering to investors under a securities purchase agreement, the issuer promises to register the shares typically via a resale registration statement within so many days after the closing.

**Private-label pass-throughs**

Related: [Conventional pass-throughs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conventional_pass_throughs).

**Private letter ruling**

A ruling by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) in response to a request for interpretation of a tax law.

**Private limited partnership**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) with no more than 35 participants that is not registered with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Private market value (PMV)**

The break-up [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of all divisions of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) if divisions were each independent and established their own [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices.

**Private Mortgage Insurance (PMI)**

Policy protecting the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) against [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) resulting from [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Private placement**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or other [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) directly to a limited number of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). For example, sale of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), or other [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) directly to an [institutional investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) like an [insurance company](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_insurance_company), avoiding the need for [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) if the securities are purchased for investment as opposed to resale. Antithesis of [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering).

**Private-purpose bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) allowing more than 10% of the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) go to private activities.

**Private unrequited transfers**

Resident immigrant workers' remittances to their country of origin as well as, e.g., gifts, dowries, inheritances, prizes, charitable [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution).

**Privatization**

The [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of government-owned or government-run [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to the private sector, usually by selling them.

**Pro forma capital structure analysis**

A method of analyzing the impact of alternative possible [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) choices on a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) statistics and [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) results, especially to determine whether the firm will be able to use projected [tax shield](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shield) benefits fully.

**Pro forma financial statements**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) as adjusted to reflect a projected or planned [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). "What-if" analysis.

**Pro forma statement**

A [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) showing the [forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) or [projected](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#projection) operating results and [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet), as in pro forma [income statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement), balance sheets, and [statements of cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_cash_flows).

**Probability**

The relative likelihood of a particular outcome among all possible outcomes.

**Probability density function**

The function that describes the change of certain realizations for a continuous [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable).

**Probability distribution**

A function that describes all the values a [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) can take and the probability associated with each. Also called a [probability function](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_function).

**Probability function**

A measure that assigns a likelihood of occurrence to each and every possible outcome.

**Proceeds**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) received by the seller of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Proceeds sale**

[OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) whose revenue is used to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) another [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Processing Delay**

Time a selling [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) takes to record [receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) of a payment and deposit it.

**Producer Price Index (PPI)**

[Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) measuring changes in [wholesale](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wholesaler) prices, published by the US Bureau of Labor Statistics every month.

**Product cycle**

The time it takes to bring new and/or improved products to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Product cycle theory**

Theory suggesting that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) initially establish itself locally and expand into [foreign markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in response to foreign demand for its product; over time, the [MNC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) will grow in foreign [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market); after some point, its foreign business may decline unless it can differentiate its product from competitors.

**Product Differentiation**

A source of competitive advantage that depends on producing some item that is regarded to have unique and valuable characteristics.

**Product risk**

A type of [mortgage pipeline risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline_risk) that occurs when a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has an unusual [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) in production or [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) but does not have a [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [commitment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commitment) at a prearranged price.

**Production**

In the context of project financing, a defined portion of the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) of production up to a dollar amount.

**Production Cost Advantage**

A source of competitive advantage that depends on producing some product or service at the lowest [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Production-flow commitment**

An agreement by the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) to allow a monthly loan quota to be delivered in batches.

**Production Loan**

A project financing where the repayment is linked to the production, often on a dollar/[unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) basis.

**Production payment financing**

A method of [nonrecourse](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonrecourse) [asset-based financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_based_financing) in which a specified percentage of revenue realized from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of the project's output is used to pay [debt service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service).

**Production possibilities schedule**

The maximum amount of goods (i.e., food and clothing) that a country is able to produce given its labor supply.

**Production rate**

The [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) at which a [pass-through security](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities) [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) is issued.

**Productivity**

The amount of output per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of input, such as the quantity of a product produced per hour of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) employed.

**Profile buyer/seller**

[Trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) trying to get involved in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) who presents self as a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/seller to [draw a call](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draw_a_call) from a customer. That is the trader has nothing [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real), or [natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural).

**Profit**

Revenue [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). The amount one makes on a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Profit center**

A division of an organization held responsible for producing its own [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Profit forecast**

A prediction of future [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), which may affect [investment decisions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions).

**Profit Graph**

A graphical representation of the potential outcomes of a [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy). Dollars of [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or loss are graphed on the vertical axis, and various stock prices are graphed on the horizontal axis. Results may be depicted at any point in time, although the graph usually depicts the results at expiration of the options involved in the strategy.

**Profit margin**

[Indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) of [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). The ratio of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) available to [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales). Determined by dividing [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) by revenue for the same 12-month period. Result is shown as a percentage. Also known as net profit margin.

**Profit Range**

The range within which a particular position makes a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Generally used in refernce to strategies that have two break-even points - an upside break-even and a downside break-even. The price range between the two break-even points would be the profit range.

**Profit-sharing plan**

An incentive system providing that employees share in [companys](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) through a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) fund or a deferred plan used to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Profit Table**

A table of results of a particular [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) at some point in time. This is usually a tabular compilation of the data drawn on a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) graph. See also [Profit Graph](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_graph).

**Profit taking**

Action by [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in on gains created by a sharp [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) rise, which pushes prices down temporarily but implies an upward [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). See: [Ring the [cash] register](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ring_the_cash_register).

**Profitability index**

The [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the future [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) divided by the initial [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). Also called the [benefit-cost ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_benefit_ratio).

**Profitability ratios**

Ratios that focus on how well a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is performing. [Profit margins](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_margin) measure performance with relation to [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). [Rate of return ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return_ratios) measure performance relative to some measure of size of the investment.

**Pro forma**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) projection based on assumptions. Also, refers to a statement of income and balance sheets that exclude non-recurring items.

**Pro forma Earnings**

Often used in two ways. First, pro forma earnings refers to projections of earnings. This is often used internally or on a road show for an IPO. Second, it refers to a way of reporting earnings that excludes non-recurring items such as restructuring charges, extraordinary items.

**Pro forma Invoice**

A quotation in the form of a ninvoice prepared by the seller that details items which would appear on a commercial invoice if an order results.

**Program trades**

[Orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) requiring the [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a large number of different [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at as near the same time as possible. Also called [basket trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket_trades). Related: [Block trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade)

**Program trading**

[Trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) based on signals from computer programs, usually entered directly from the [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) computer in to the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) computer system and [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) automatically. Applies to derivative products. A process of electronic [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of a [basket](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) of stocks simultaneously, for [index arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_arbitrage), [portfolio restructuring](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_restructuring), or outright [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/sell interests. See: [super dot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#super_d.o.t.). 0

**Progress payments**

Periodic payments to a supplier, contractor, or subcontractor for work as it is completed as desired, in order to reduce [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) requirements.

**Progress review**

A periodic review of a [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) project to evaluate its continued economic viability.

**Progressive tax system**

A tax system that taxes the wealthy at a higher percentage rate than the less wealthy.

**Progressive taxation**

Characterizes a [convex](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convex) [tax schedule](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_schedules) that results in a higher effective [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) on higher income levels. Increases for some increases in income, but never decreases with an increase in income.

**Project**

The [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) constructed with or owned via a project financing, which is expected to produce [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) at a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)-service coverage ratio sufficient to repay the project financing.

**Project contracts**

In the context of project financing, the suite of agreements underlying the project.

**Project Finance Loan Program**

Program under which banks, the [Ex-Im Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank), or a combination of both may extend [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) for [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) equipment and related services for major projects.

**Project financing**

A form of [asset-based financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_based_financing) in which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [finances](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) a discrete set of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on a stand-alone basis.

**Project link**

An [econometric](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#econometrics) model [forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) and describing the effects of changes in different economies on other economies.

**Project loan certificate (PLC)**

A primary program of [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) for [securitizing](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securitization) FHA-insured and coinsured multifamily, hospital, and nursing home loans.

**Project loans**

Usually FHA-insured and HUD-[guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) mortgages on multiple-family housing complexes, nursing homes, hospitals, and other special development.

**Project loan securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) backed by a variety of FHA-insured loans-primarily multifamily apartment buildings, hospitals, and nursing homes.

**Project notes (PN)**

[Notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by municipalities to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) federally sponsored programs in urban renewal and housing and [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by the U.S. Department of Housing and Urban Development.

**Projected benefit obligation (PBO)**

A measure of a [pension plan's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future. Related: [Accumulated benefit obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulated_benefit_obligation).

**Projected maturity date**

With [CMOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation), the date at the end of the estimated [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) window where final payment is made.

**Projection**

The use of [econometric](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#econometrics) models to [forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) the future performance of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), country, or other [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) entity using historical and current information.

**Promissory note**

Written pledge to pay.

**Property inventory**

A list of personal property with corresponding values and initial [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) often used to substantiate [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) claim and tax [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Property rights**

Rights of individuals and [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to own and use property as they see fit and to receive the stream of income that their property generates.

**Property tax**

A tax levied on real property based on its use and its [assessed value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#assessed_valuation).

**Proportional representation**

A method of [stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) voting that allows minority shareholders and groups of small [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to have a better chance of getting representation on a [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) than under [statutory voting](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statutory_voting).

**Proprietary trading**

[Principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in which [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) seeks direct [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) rather than [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) dollars.

**Proprietorship**

An [unincorporated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) business that is owned and operated by only one person who has complete [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) for all [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), and complete rights to all [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Pro rata**

Shared or divided according to a ratio or in proportion to participation.

**Proration**

Refers to the division between cash and stock in a takeover offer. Often a takeover is a combination of cash and the acquiring firm's equity. Shareholders can elect to take cash or equity. After the election is made, the stock is prorated. For example, if the takeover offer was 500 million in cash and 500 million in shares, if everybody elected cash, then the maximum cash for each shareholder is 50%. If 75% elected to receive cash, 25% of the shareholders would get 100% equity and the other 75% would get 75% cash and 25% equity. The proportions are complicated to compute if the new shares are worth more than the old shares. In this case, small shareholders (with say 100 shares) might receive 100% cash because it is disadvantageous to have a lot less than 100 shares.

**Prospective Earnings Growth (PEG Ratio)**

The idea is to scale the P/E ratio by earnings growth. Higher P/P multiples could be a result of higher growth opportunities. Expected earnings growth is usually derived from proprietary sources such as [Institutional Brokers' Estimate System (IBES)](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_brokers_estimate_system), [First Call](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#first_call), or Zach's. The usual implementation is to divide the current P/E ratio by the five-year prospective earnings growth. This ratio is problematic if expected earnings growth is negative. As with the usual P/E ratio, zero or very small earnings causes problems too. For stock selection, I usually recommend looking at E/P (earnings price ratio) and expected earnings growth as two separate factors rather than a single PEG ratio. I also recommend looking at different horizons for expected earnings growth -- not just five years.

**Prospectus**

Formal written document to sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) that describes the plan for a proposed business enterprise, or the facts concerning an existing one, that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) needs to make an informed decision. Prospectuses are used by [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) to describe fund objectives, [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), and other essential information.

**Protect**

Assure the salesperson or [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) that interest, [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell, will be attended to, given any change in the trading circumstances, as follows:   
At a price: If the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a certain price or price range, the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) will show this [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to the salesperson and thus allow participation under these favorable circumstances.   
[Floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) protection: Representation of a client on the floor of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)-so that if [size](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#size) were to trade at his price or a better price, salesperson would participate.   
Volume ([OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)): If a certain amount of volume trades (that parallels the protectee's interest), trader assures salesperson of reasonable participation in the trading activity. The extent of this protection depends on [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation), number of [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker), and other aspects of the stock.

**Protected Strategy**

A position that has limited risk. A protected [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) (short stock, long call) has limited risk, as does a protected straddle write (short straddle, [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) out-of-the-[money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) combination). See also [Combination](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#combination) and [Straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle).

**Protectionism**

Notion that governments should protect domestic [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) from import competition by means of [tariffs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tariff), quotas, and other [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) barriers.

**Protective covenant**

A part of an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture) or loan agreement that limits certain actions a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) may take during the [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to protect the [lender's](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) interests.

**Protective put buying strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) on the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) that is held in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio). Related: [Hedge option strategies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_or_hedge_option_strategies).

**Protest**

Instructions given to a [collecting bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collecting_bank) that [drafts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) falling due for payment are to be formally presented to the drawee by a notary, who is to formally record any default.

**Prototype plan**

A [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan) sponsored by a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution). It may be adopted by executing a written agreement. A prototype is generally more flexible than the IRS Form 5305 or 5305-A and may have additional special features. Also called a [master pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#master_pension_plan).

**Provision for income taxes**

An amount on the [P](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) & [I](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) statement that estimates a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) total [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) for the year.

**Provisional call feature**

A stipulation in a convertible [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that allows the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) the issue during the noncall period if the price of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) reaches a certain level. In the case of [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security), right of an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to accelerate the first [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) date if the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) common should [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at or above a certain level for a sustained period. Most typical [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) are 150% of [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price) for 20 consecutive days. Note that under these circumstances the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) has [appreciated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation), at a minimum, 50% since being issued.

**Proxy**

Authorization, whether written or electronic, that [shareholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) votes may be cast by others. Shareholders can and often do give [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) their proxies, delegating the right and responsibility to vote their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) as specified.

**Proxy Committee**

A group of individuals appointed by the [board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) of the [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to formally represent the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) who send in [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) cards, to vote the represented shares in accordance with the shareholders' instructions.

**Proxy Committee Ballot**

The ballot signed and submitted at the meeting by the [Proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy_committee) Committee. It is the legal voting of shares represented by proxies assigned to the Proxy Committee and should always be completed.

**Proxy contest**

A battle for the [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in which a dissident group seeks, from the firm's other [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), the right to vote those shareholders' [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in favor of the dissident group's slate of directors. Also called [proxy fights](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy_fights).

**Proxy fight**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Technique used by an [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to attempt to gain [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a [takeover target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company). The acquirer tries to persuade the [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) that the present [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of the firm should be ousted n favor of a slate of [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) favorable to the acquirer, thus enabling the acquiring company to gain control of the company without paying a [premium price](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Proxy Fight**

Competition of outside group with [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) for [stockholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) [proxies](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) in order to [accumulate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) votes to elect a new [board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Proxy Solicitor**

A specialist (firm) hired to gather [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) votes.

**Proxy statement**

Document intended to provide [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) with information necessary to vote in an informed manner on matters to be brought up at a stockholders' meeting. Includes information on [closely held](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closely_held) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Information required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) that must be provided to shareholders who wish to vote for [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) and on other [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) decisions by [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy).

**Proxy vote**

Vote cast by one person or entity on behalf of another.

**Prudent-man rule**

A common law standard against which those investing the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) of others [fiduciaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) are judged.

**P&S**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) statement. A statement provided by the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) showing change in the customer's [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [ledger](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_ledger) balance after the [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) of any previously established [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**PSA Prepayment Rate**

The Bond Market Trade Association's Mortgaged Asset-Backed Securities Division's [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) model based on an assumed rate of prepayment each month of the then unpaid [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance of a pool of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage). PSA is used primarily to derive an implied prepayment speed of new production loans. 00% PSA assumes a prepayment rate of 2% per month in the first month following the date of [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), increasing at 2% percentage points per month thereafter until the 30th month. Thereafter, 100% PSA is the same as 6% CPR (Constant prepayment rate).

**PSSG**

[Financial ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_ratio) defined as [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price divided by [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) over sales growth. Often used in the valuation of Internet stocks. Related: [PREG](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preg).

**Public Book (of order)**

The orders to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell, entered by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), that are generally away from the current market. The order [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) official or specialist keeps the public book. Market-Makers on the CBOE can see the highest bid and lowest offer at any time. The specialist's book is closed (only he knows at what price and in what quantity the nearest public orders are). See also [Market-Maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) and [Specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**Public Company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that has held an [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#i.p.o.) and whose [shares are](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a stock exchange or in the over-the-counter market. Public companies are subject to periodic filing and other obligations under the federal securities laws.

**Public debt**

[Issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) by governments to [compensate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for a lack of tax revenues.

**Public housing authority bond**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of local [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) housing agencies that are secured by the federal government and whose [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) are used to provide low-rent housing.

**Public limited partnership**

A [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) with an unlimited number of [partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) that is registered with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and is available for [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) trading by [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Public offering**

Used in the context of general equities. [Offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) to the investment [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), after compliance with [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) requirements of the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission), usually by an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) banker or a syndicate made up of several investment bankers, at a price agreed upon between the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) and the investment bankers. Antithesis of [private placement](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_placement). See: [Primary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primary_distribution) and [secondary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering).

**Public offering price**

The price of a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at the time that the issue is offered to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Public ownership**

The portion of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is held by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Public-purpose bond**

A specific type of [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) used to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) public projects such as roads or government buildings. Interest on municipal bonds is federal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax)-free.

**Public Securities Association(PSA)**

The trade association for primary [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in US [government securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_securities), including [MBSs](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities). In 1997, they became known as the Bond Market Association.

**Public securities offering**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) placed with the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) through an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) or commercial bank.

**The Public**

Individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) single [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) independently or invest in [intermediaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) such as [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), as opposed to professional [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Public Utility Holding Company Act of 1935**

Legislation intended to eliminate many [holding company](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_company) abuses by reorganizing the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) structures of holding [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in the gas and electric [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) and [regulating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) their [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) policies.

**Public warehouse**

Storage facility operated by an independent warehouse [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) on its own premises.

**Publicly held**

Describes a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is held by the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public), whether individuals or business entities.

**Publicly traded assets**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that can be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), such as the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Puke**

Slang for a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) selling a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), usually a losing position, as in, "When in doubt, puke it out."

**Pull**

Used in the context of general equities. See: [Cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel).

**Pullback**

The downward reversal of a prolonged upward price [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Pulling in their horns**

[Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) selling off [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) after a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) has increased sharply or setting up [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) to guard against a negative turn of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Purchase**

[Buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy); be [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long); have an ownership [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Purchase accounting**

Method of accounting for a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) that treats the [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) as having [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and assumed the [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) of the [acquiree](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree), which are then written up or down to their respective fair [market values](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value). The difference between the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price and the net assets acquired is attributed to [goodwill](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#goodwill).

**Purchase agreement**

Used in connection with project [financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance); an agreement to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a specific amount of project output per period.

**Purchase fee**

A charge assessed by an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary), such as a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) or a bank, for assisting in the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Purchase fund**

Resembles a [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement), except that [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is used to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) only if they are selling below their [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Purchase group**

See: [Underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate)

**Purchase loan**

A consumer [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) taken to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) a [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Purchase method**

Accounting for an [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) using [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) for the consolidation of the two entities' net [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) on the [balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet). Generally, [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation)/[amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) will increase for this method (due to the creation of [goodwill](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#goodwill)) compared to the [pooling](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pooling_of_interests) method resulting in lower [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income).

**Purchase-money mortgage**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) given by a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) in lieu of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) when the buyer is unable to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) commercially for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of property.

**Purchase order**

A written [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) specified goods at a stipulated price.

**Purchase and sale**

A method of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) in which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) securities from the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) for its own account at a [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) price and then resells them, as contrasted with a [best-efforts sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#best_efforts_sale).

**Purchasing power**

The amount of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) available for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) trading in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account), after taking [margin requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_requirement) into consideration.

**Purchasing power of the dollar**

The amount of goods and services that can be exchanged for a dollar as compared with amount of a previous time period.

**Purchasing power parity**

The notion that the ratio between domestic and foreign price levels should equal the [equilibrium exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium_exchange_rate) between domestic and foreign currencies.

**Purchasing power risk**

Related: [Inflation risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation_risk)

**Pure discount bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that will make only one payment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest). Also called a [zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) or a single-payment bond.

**Pure expectations theory**

A theory that asserts that [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_interest_rate) exclusively represent the expected future rates. In other words, the entire [term structure](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates) reflects the [market's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) expectations of future [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) rates. For example, an increasing slope to the [term structure](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates) implies increasing short-term interest rates. Related: [Biased expectations heories](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#biased_expectations_theories).

**Pure index fund**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that is managed so as to perfectly replicate the performance of the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio).

**Pure monopoly**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which only one [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has total [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over the entire [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) for a product due to some sort of barrier to entry for other firms, often a [patent](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent) held by the controlling firm.

**Pure play**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) involved in only one line of business.

**Pure yield pickup swap**

Moving to [higher yield-bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_yield_bond).

**Purpose credit**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) used for the purpose of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), carrying or trading in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Purpose loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that is backed by [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and that is used to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) under certain government [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations).

**Purpose statement**

A form filed by a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that describes the use of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) backed by [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), and [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) that the funds lent will not be used illegally to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) against [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations).

**Put**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) granting the right to sell the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Opposite of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Put bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) may choose either to exchange for [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) at some date or to extend for a given number of years. If the price is above [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par), the put is a "premium put."

**Put-call parity**

Applies to derivative products. [Option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) pricing principle that says, given a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price, a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) of the same [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) must have a static price relationship because [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunities or activities will always reestablish such a relationship.

**Put-call parity relationship**

The relationship between the price of a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and the price of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) on the same [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) with the same [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date), which prevents [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunities. [Holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the underlying [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) will [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) the exact payoff as buying one [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) and investing the [present value (PV)](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price). The call value equals C = S + P - PV(k).

**Put-call ratio**

The ratio of the [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to the [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) traded, which is used as an [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) of [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) sentiment ([bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) or [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear)).

**Put guarantee letter**

A bank's letter certifying that the person writing a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) has sufficient funds in an account to cover the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) if required.

**Put on**

Used for listed equity securities. [Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), or [cross](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cross), a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the designated price and quantity. See: [Print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print).

**"Put it on "**

Used for listed equity securities. "Go to the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) to [transact](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction)." See: [Print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print).

**Put option**

This [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) gives [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) the right to sell (or [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) a fixed number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at a fixed price within a given period. An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), for example, might wish to have the right to sell [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a certain price by a certain time in order to protect, or [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge), an existing investment.

**Put an option**

To [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option).

**"Put pants on it "**

Used in the context of general equities. "Elaborate on your intentions or your [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry)," especially with respect to size, side, and price. See: [Open up](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_up).

**Put price**

The price at which an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) will be sold if a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) is [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise). Also called the [strike](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) or [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) of a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option).

**Put provision**

Gives the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of a floating-rate [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) the right to [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) the [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) on the [coupon payment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_payments) date.

**Put ratio backspread**

A complex options [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) adopted when one believes a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price will decline but wants to protect against it rising.

**Put to seller**

[Exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option); require that the [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at the [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price).

**Put swaption**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) giving the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the right, or [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), to enter into a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) as a [floating-rate payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_payer). The [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) of the [swaption](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swaption) therefore becomes the floating-rate receiver/[fixed-rate payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_payer).

**Put up**

See: [Print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print)

**Pyramid scheme**

An illegal, fraudulent scheme in which a con artist convinces victims to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) by promising an extraordinary [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) but instead simply uses newly invested funds to pay off any [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who insist on terminating their investment.

**Pyramiding**

A type of stock swap option exercise in which a small number of previously-owned [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) is surrendered to the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to pay a portion of the [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price), for which a slightly larger number of option shares may be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase), which are then immediately surrendered back to the company to pay additional amounts of the exercise price, and so on until the full [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) has been paid and the optionee is left with just the number of shares equal to the [option spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_spread). With the advent of broker-assisted "Cashless Exercise/Same Day [Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale)" programs (see above), pyramiding has fallen out of favor.

**Q**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that it is in [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) proceedings.

**QA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for QATAR.

**QAR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Qatar Rial.

**QQQ**

The Nasdaq-100 Index Tracking Stock. This is a tracking stock which trades like an index mutual fund which follows the Nasdaq 100 index. It trades continuously.

**Q ratio or Tobin's Q ratio**

[Market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) divided by [replacement value](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replacement_value) of the firm's assets. Named after James Tobin of Yale University.

**Quadratic programming**

Variant of [linear programming](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#linear_programming) in which the objective function is quadratic rather than linear. In [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) selection, we often minimize the variance of the portfolio (which is a quadratic function) subject to constraints on the [mean return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_return) of the portfolio.

**Qualification period**

A period of time during the first few months or weeks of a new policy when an [insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) company will not reimburse a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) for a claim in order to allow the insurance company time to find any fraudulent information in the application.

**Qualified Domestic Relations Order (QDRO)**

A judgment, decree, or order that gives a [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) participant access to retirement [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that must be used to pay an ex-spouse or dependent children.

**Qualified endorsement**

A signature on the back of a [negotiable instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negotiable_instrument) transferring the amount to some other party but that includes wording that limits the endorser's [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Qualified opinion**

An [auditor's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auditors_report) expressing certain limitations of an [audit](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#audit).

**Qualified plan or trust**

A [tax-deferred plan](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferral_option) allowing employer and [employee contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#employee_contribution) that build up savings, which are paid out at retirement or on termination of employment. Tax is paid only when amounts are drawn from the [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust).

**Qualified retirement plan**

A [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) plan established by employers for their employees that meets the requirements of [Internal Revenue Code](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_code) Section 401(a) or 403(a) and is eligible for special tax considerations. The plan may provide for employer contributions, as in a [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) or [profit-sharing plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_sharing_plan), as well as employee [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution). Employers can [deduct](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) plan contributions made on behalf of eligible employees on the business's tax return as business expenses. Plan earnings are not taxed to the employee until withdrawn.

**Qualified Terminable Interest Property Trust (Q-TIP)**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) that allows a surviving spouse to receive income generated from the trust, while the actual distribution of the trust's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is made to other [beneficiaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) such as the [grantor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) children.

**Qualified total distribution**

A payment representing an employee's interest in a [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan). The payment must be prompted by retirement (or other separation from service), death, disability, or attainment of age 59-1/2. Payment can be in installments as long as the complete distribution is made within a single tax year.

**Qualifying annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) allowable as [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) for a [qualified plan or trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_plan_or_trust).

**Qualifying share**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) that a person must hold in order to qualify as a director of the [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Qualifying stock option**

A benefit granted by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that allows employees to purchase [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) at a discount price.

**Qualitative analysis**

An analysis of the qualities of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that cannot be measured concretely, such as management quality or employee morale.

**Qualitative research**

Traditional analysis of [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_news) prospects for future [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings). It may be based on data collected by the analysts, there is no formal [quantitative](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quantitative_research) framework used to generate projections.

**Quality of earnings**

Increased [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) due to increased sales and cost controls, as compared to artificial [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) created by [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) of [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) or other [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) prices.

**Quality option**

Gives the seller choice of deliverables in [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) and [Treasury note](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_notes) [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). Also called the [swap option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap_option). Related: [Cheapest to deliver issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cheapest_to_deliver_issue).

**Quantitative analysis**

An assessment of specific measurable [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) or [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor), such as [cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_capital), value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset); and projections of sales, costs, [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), and [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Combined with more subjective or qualitative considerations (such as management effectiveness), quantitative analysis can enhance [investment decisions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) and [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Quantity risk**

Occurs when the quantity of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to be [hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) is uncertain.

**Quality spread**

Difference between [Treasury securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities) and non-Treasury securities that are identical in all respects except for quality rating. For instance, the difference between [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on [Treasuries](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasuries) and those on single A-rated industrial [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Also called [credit spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_spread).

**Quant**

A person with numerical and computer skills who carries out [quantitative analyses](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quantitative_analysis) of companies.

**Quantize**

To convert an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) into a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) other than the regular [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) currency.

**Quantitative analysis**

An analysis of the mathematically measurable figures of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), such as the value of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or projected sales.

**Quantitative research**

Use of advanced [econometric](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#econometrics) and mathematical valuation models to identify the [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with the best possible prospectives. Antithesis of [qualitative research](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualitative_research).

**Quanto swap**

See: [Differential swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#differential_swap)

**Quantos**

[Currency options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency_option) with a guaranteed [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) that enable buyers who like an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), German [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for example, but not the asset's pricing currency, to arrange payment in a different currency for a fee.

**Quarter stock**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of $25 per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Quarterly**

Occurring every three months.

**Quarterly financing**

February 15, May 15, August 15 and November 15, or next working day [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of several "[coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon)" [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). [Quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) currently consist of a 3-year [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), a 10-year note, and a 30-year [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). The Treasury sometimes offers additional amounts of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), rather than selling new security issues. See: [Reopening](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reopening).

**Quasi-public corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that is operated privately, but is supported by the government in its operations and that often [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) publicly.

**Quay**

A landing place or pier, usually of solid construction, where vessels berth to load or unload cargo.

**Quick assets**

[Current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**Quick ratio**

[Indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) financial strength (or weakness). Calculated by taking [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) less [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), divided by [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities). This ratio provides information regarding the firm's [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) and ability to meet its [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). Also called the [Acid test ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acid_test_ratio).

**Quid pro quo**

An arrangement allowing a firm to use research from another firm at no cost in exchange for [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) all of its [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) with the firm that provides the research.

**Quiet period**

Time period an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) is "in registration" with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and may not promote its forthcoming [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Quorum**

The minimum number of people who must be present or must provide a [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) to vote at a meeting in order to make a valid decision.

**Quota**

See [Import Quota](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#import_quota)

**Quotation**

Highest [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and lowest [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) ([asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asked_price)) price currently available on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Quotation board**

The electronic board at a brokerage firm displaying prices other financial data.

**Quote rule**

Rule requiring [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) to publish [quotations](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) for any [listed security](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) when a [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) represents more than 1% of the [aggregate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggregation) [trading volume](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_volume) for that security.

**Quoted price**

The price at which the last [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) took place.

**R**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right).

**RAM**

See: [Reverse-annuity mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reverse_annuity_mortgage)

**RAP**

See: [Regulatory accounting procedures](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulatory_accounting_procedures)

**RE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for REUNION.

**REIT**

See: [Real Estate Investment Trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate_investment_trust)

**REMIC**

See: [Real Estate Mortgage Investment Conduit](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate_mortgage_investment_conduit)

**RO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ROMANIA.

**ROA**

See: [Return on assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_assets)

**ROA**

See: [Right of accumulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right_of_accumulation)

**ROCE**

See: [Return on capital employed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_capital_employed)

**ROE**

See: [Return on equity](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_equity)

**ROI**

See: [Return on investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_investment)

**ROL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Romanian Leu.

**RPPP**

See: [Relative strength index](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_strength_index)

**RSI**

See: [Relative purchasing power parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_purchasing_power_parity)

**RU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for RUSSIAN FEDERATION.

**RUB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Russian Rouble.

**RW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for RWANDA.

**RWF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Rwanda Franc.

**Radar alert**

Close monitoring of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) patterns in a company's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by senior managers to uncover unusual [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) activity that might signal a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempt. See: [Shark watcher](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_watcher).

**Raider**

Individual or corporate [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who intends to take [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a company (often ostensibly for [greenmail](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#greenmail)) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [controlling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) interest in its [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and installing new [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management). Raiders who accumulate 5% or more of the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) must [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) their purchases to the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.), the exchange of [listing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing), and the target itself. See: [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Rainmaker**

A valuable employee, manager or subcontracted person who brings new business to a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Rally (recovery)**

An upward movement of [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices). Opposite of [reaction](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reaction).

**Reverse-annuity mortgages (RAM)**

Bank [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) for an amount equal to a percentage of the appraisal value of the home. The loan is then paid to the homeowner in the form of an [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity).

**Random variable**

A function that assigns a real number to each and every possible outcome of a random experiment.

**Random walk**

Theory that stock price changes from day to day are accidental or haphazard; changes are independent of each other and have the same [probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_probability_distribution). For a simple random walk, the best forecast of tomorrow's price is today's price. Related: [Mean reversion.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_reversion)

**Random walk with drift**

For a random walk with drift, the best forecast of tomorrow's price is today's price plus a drift term. One could think of the drift as measuring a trend in the price (perhaps reflecting long-term inflation). Given the drift is usually assumed to be constant. Related: [Mean reversion.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_reversion)

**Randomized strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) of introducing into the decision-making process a chance element that is designed to confound the information content of the decision-maker's observed choices.

**Range**

The high and low prices, or high and low [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), recorded during a specified time.

**Range forward**

A [forward exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_exchange_rate) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that places upper and lower bounds on the future [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange).

**Rate anticipation swaps**

An exchange of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) for new bonds that will achieve the target [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration), given the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) assumptions about future changes in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Rate base**

The value of a [regulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) and its operations as defined by its regulators and on which the company is allowed to earn a particular [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return).

**Rate covenant**

A provision governing a municipal revenue project [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by a [revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revenue_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), which establishes the rates to be charged users of the new facility.

**Rate of exchange**

See: [Exchange Rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate)

**Rate lock**

An agreement between the [mortgage banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_banker) and the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) applicant [guaranteeing](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a specified [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) for a designated period, usually 60 days.

**Rate-lock selling**

Underwriters of corporate bonds sell Treasuries to hedge what they will take in a planned underwriting.

**Rate of interest**

The rate, as a proportion of the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal), at which [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) is computed.

**Rate of return**

Calculated as the (value now[minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) value at time of [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase)) divided by value at time of purchase. For [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), we often include [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) with the value now. See also: [Return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), [annual rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_rate_of_return).

**Rate of return ratios**

Ratios that measure the [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in relation to various measures of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in the firm.

**Rate risk**

In banking, the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) may [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) occur because a rise in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) forces up the [cost of funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_funds) [fixed-rate loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_loan) or other fixed-rate [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Ratings**

An evaluation of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) quality of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by Thomson Financial BankWatch, Moody's, [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p), and Fitch Investors Service. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) and analysts use ratings to assess the [riskness](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments). Ratings can also be an evaluation a country's [creditworthiness](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditworthiness) or ability to repay, taking into consideration its estimated percentage [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) rate and [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk).

**Ratio analysis**

A way of expressing relationships between a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) accounting numbers and their [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) over time that analysts use to establish values and evaluate [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Ratio Calendar Combination**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) consisting of a simultaneous position of a ratio calendar spread using "[calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)" and a similar position using puts, where the striking price of the "calls" is greater that the striking price of the "puts".

**Ratio Calendar Spread**

Selling more near-[term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term)options than longer-term ones [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase), all with the same strike; either puts or [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Ratio Spread**

Constructed with either puts or [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), the [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) consists of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a certain amount of options and then selling a larger quantity of more [out-of-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money) options.

**Ratio Strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) in which one has an unequal number of long secruities and short sercurities. Normally, it implies a preponderance of short options over either long options or long stock.

**Ratio writer**

An [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) who does not own the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) required to cover the [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) he or she writes.

**Rational expectations**

The idea that people rationally anticipate the future and respond today to what they see ahead. This concept was pioneered by Nobel Laureate, Robert E. Lucas, Jr.

**Raw material**

Materials a manufacturer converts into a finished product.

**Raw material supply agreement**

As used in connection with [project financing](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#project_financing), an agreement to furnish a specified amount per period of a specified [raw material](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#raw_material).

**Reachback**

The ability of a [tax shelter](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) or [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) to [deduct](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) certain [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) at the end of the year that were incurred throughout the entire year.

**Reaction**

A decline in [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) following an advance. Opposite of [rally](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rally).

**Reading the tape**

Judging the performance of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by monitoring changes in price as they are displayed on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape).

**Real**

Used in the context of general equities. (1) [natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural), (2) not [dividend roll](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_trade_roll_play)-or [program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading)-related; (3) not tax-related. "Real" [indications](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) have three major repercussions: a) pricing will be more favorable to the other side of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) since an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) is not committing any [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital); b) price pressure will be stronger if real since a [natural](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#natural) [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/seller may have information leading to his decision or more behind it, and c) an [uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade) may be required for the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to transact if the [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) is not real and the trader has no [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position).

**Real assets**

Identifiable [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as land and buildings, equipment, patents, and trademarks, as distinguished from a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments).

**Real appreciation/depreciation**

A change in the purchasing power of a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Real body**

On a candlestick line, it is the broad part consisting of the difference between [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opening) and [closing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) prices.

**Real capital**

Wealth that can be represented in [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) terms, such as savings account balances, financial securities, and [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate).

**Real cash flow**

Income expressed in current purchasing power terms.

**Real Currency**

The purchasing power in today's [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) of future nominal currency to be disbursed or received.

**Real estate**

A piece of land and whatever physical property is on it.

**Real estate appraisal**

An estimate of the value of property using various methods.

**Real estate broker**

An [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary) who receives a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) for arranging and facilitating the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a property for a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or a seller.

**Real Estate Investment Trust (REIT)**

REITs [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) or [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) secured by real estate and [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in such [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). A REIT is similar to a [closed-end mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund).

**Real Estate Mortgage Investment Conduit (REMIC)**

A pass-through tax entity that can [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) secured by any type of real property and can [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) multiple [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of ownership interests to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in the form of pass-through [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), or other legal forms. A financing vehicle created under the [Tax Reform Act of 1986](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_reform_act_of_1986).

**Real exchange rates**

[Exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) that have been adjusted for the [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) differential between two countries.

**Real gain or loss**

A [gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) adjusted for increasing prices by an [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) such as the [CPI](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_price_index).

**Real GDP**

[Inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation)-adjusted measure of [Gross Domestic Product](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.d.p.).

**Real income**

The income of an individual, group, or country adjusted for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Real interest rate**

The rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) excluding the effect of expected [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation); that is, the rate that is earned in terms of constant-[purchasing-power](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchasing_power) dollars. Interest rate expressed in terms of [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real) goods, i.e. [nominal interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nominal_interest_rate) adjusted for expected inflation.

**Real market**

The [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) at which a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) could [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) the desired quantity of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). [Quotes](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) in the [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Real option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or option-like feature embedded in a [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) opportunity.

**Real property**

Land plus all other property that is in some way attached to the land.

**Real rate of return**

The percentage [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on some [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that has been adjusted for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Real return**

The actual [payback](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payback) on an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) after removing the effect of [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Real time**

A [real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real)-time [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [quote](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) is one that states a [security's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) most recent [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to sell or [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) ([buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)). Different from a delayed quote, which shows the same bid and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) 15 minutes and sometimes 20 minutes after a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) takes place.

**Realistic on price**

In [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), and indication that the [size](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#size) under consideration requires [price give](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_give), especially with [illiquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#illiquid) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). See: [Takes price](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takes_price).

**Realized compound yield**

[Yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) assuming that [coupon payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) are [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) at the going [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) at the time of their receipt and held thus until the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [matures](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature).

**Realized profit (or loss)**

A [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that has become actual by the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or other type of surrender of one or many [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Realized return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that is actually earned over a given time period.

**Realized volatility**

Sometimes referred to as the historical volatility, this term usually used in the context of derivatives. While the implied volatility refers to the market's assessment of future volatility, the realized volatility measures what actually happened in the past. The measurement of the volatility depends on the particular situation. For example, one could calculate the realized volatility for the equity market in March of 2003 by taking the standard deviation of the daily returns within that month. One could look at the realized volatility between 10:00AM and 11:00AM on June 23, 2003 by calculating the standard deviation of one minute returns.

**Realized yield**

The [holding-period return](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period_return) actually generated from an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Realtor**

A specific designation given to members of [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) affiliated with the National Association of Realtors (NAR) who are trained and licensed to assist clients in [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling real estate.

**Rebalancing**

Realigning the proportions of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) as needed.

**Rebate**

Negotiated [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of a portion of the interest earned by the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to a [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) seller. When a stock is sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), the seller [borrows](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) stock from an owner or [custodian](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#custodian) and delivers it to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). The [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) are [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) to the lender. The borrower, who is short, often wants a rebate of the interest earned on the proceeds under the lender's [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control), especially when the stock can be borrowed from many sources. Note: The seller must pay the lender any [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid out or, in the case of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), interest that [accrues](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) daily during the [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the loan.

**Recalculation method**

A method of calculating required minimum [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from a [retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) using life expectancy tables. Unisex data tables allow a plan [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to determine the applicable life expectancy each year a [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) is required.

**Recapitalization proposal**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Plan by a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) to restructure its [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) ([debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity)) in a way to ward off a [hostile](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) or potential suitor.

**Recapture**

A provision in a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that allows one party to recover (recapture) some degree of possession of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as a share of the [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) derived from some property.

**Receipts**

Funds [collected](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) from selling land, [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital), or services, as well as collections from the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) (budget receipts), such as taxes, fines, duties, and fees.

**Receive fixed counterparty**

The transactor in an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) who receives payments based on the fixed rate and makes payments based on the [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float).

**Receive floating counterparty**

The [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) who receives payments based on the [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) and makes payments based on the fixed rate.

**Receive versus payment**

An instruction that only [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) will be accepted in exchange for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Receivables balance fractions**

The percentage of a month's [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) that remains uncollected (and part of [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable)) at the end of succeeding months.

**Receivables turnover ratio**

Total operating revenues divided by [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) receivables. Used to measure how effectively a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is managing its [accounts receivable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable).

**Received for Shipment Bill of Lading**

A document issued by a carrier that looks like a [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) as evidence of receipt of goods for shipment. This type of document is issued prior to the vessel loading and is therefore not an on board bill of lading.

**Receiver**

A [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) practitioner appointed by [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) to oversee the repayment of [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Receiver's certificate**

A [debt instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) issued by a [receiver](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receiver) and serving as a [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien) on the property, which provides funding to continue operations or to protect [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in receivership.

**Recession**

A temporary downturn in economic activity, usually indicated by two consecutive [quarters](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) of a falling [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.d.p.). The official NBER definition of recession (which is used to date U.S. recessions) is: *A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. A recession begins just after the economy reaches a peak of activity and ends as the economy reaches its trough. Between trough and peak, the economy is in an expansion. Expansion is the normal state of the economy; most recessions are brief and they have been rare in recent decades. The start and end dates are determined by the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER). It is a popular misconception that a recession is indicated simply by two consecutive quarters of declining GDP, which is true for most, but not all recession. NBER uses monthly data to date the start and ending months of recessions.*

**Recharacterization**

The reversal of a traditional [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) or conversion into a [Roth IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#roth_ira), or vice versa.

**Reciprocal marketing agreement**

A [strategic alliance](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategic_alliance) in which two [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) agree to comarket each other's products. Production rights may or may not be [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer).

**Reclamation**

A claim for the right to return or the right to demand the return of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that has been previously accepted as a result of bad [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) or other irregularities in the delivery and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) process.

**Record date**

(1) Date by which a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) must officially own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in order to be entitled to a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). For example, a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) might declare a dividend on Nov. 1, payable Dec. 1 to holders of record Nov. 15. Once a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) becomes the "owner of record" on [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date), which currently takes five business days for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and one business day for [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund). [Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) trade [ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend) the fourth day before the record date, since the seller will still be the owner of record and is thus entitled to the dividend. (2) The date that determines who is entitled to payment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) due to be paid on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). The record date for most MBS is the last day of the month, although the last day on which an MBS may be presented for the [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) is the last business day of the month. The record dates for [CMOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) and [asset-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_backed_security) vary with each [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Recordholder**

The individual or institution listed on the [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) as a securityholder as of a specified [record date](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#record_date).

**Record Owner**

The stockholder of record as distinguished from the beneficial owner.

**Recourse**

Term describing a type of [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). If a loan is with recourse, the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) has a the ability has the ability to fall back to the guarantor of the loan if the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) fails to pay. For example, Bank A has a loan with Company X. Bank A sells the loan to Bank B with recourse. If Company X defaults, Bank B can demand Bank A fulfill the loan obligation.

**Recovery**

The use of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to offset [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost); or a new period of rising [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices after a period of declining [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) values.

**Redemption date**

The date on which a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [matures](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) or is [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable).

**Redemption fee**

A fee some [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) charge when an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) sells [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) within a specified short period of time.

**Redemption price**

See: [Call price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_price)

**Red herring**

A preliminary [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) providing information required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.). It excludes the [offering price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price) and the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) of the new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Redeemable**

Eligible for redemption under the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of an [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture).

**Redemption**

Repayment of a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), at or before [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), at [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par) or at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) price.

**Redemption charge**

The [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) charges an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who is [redeeming](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). For example, a 2% redemption charge (also called a [back end load](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#back_end_loan_fund)) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of shares valued at $1000 will result in payment of $980 (or 98% of the value) to the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). This charge may decline or be eliminated as shares are held for longer time periods.

**Redemption cushion**

The percentage by which the [conversion value](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_value) of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) exceeds the [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) price ([strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price)).

**Redemption or call**

Right of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to force [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) on a certain date to [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) their [convertibles](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). The objective usually is to force [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to convert into [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) prior to the redemption deadline. Typically, an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) is not [called away](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#called_away) unless the [conversion price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_price) is 15%-25% below the current level of the common. An exception might occur when an [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) tax rate is high, and the issuer could replace it with [debt securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) at a lower after-tax [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Rediscount**

To [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) negotiable [debt instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_instrument) for a second time, after they have been discounted with a bank.

**Red-lining**

Illegal discrimination in making [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), insurance coverage, or other [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) services available to people or property in certain areas because of poor economic conditions, high levels of fraudulent transaction, or frequent [defaults](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Reduction-Option Loan (ROL)**

A [hybrid](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hybrid) of a fixed-rate and [adjustable-rate mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_mortgage). An ROL matches the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) to the current [mortgage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_rate), which then becomes fixed for the rest of the [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term). This reduction is usually allowed if rates [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) more than 2% in a year.

**Reference rate**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) interest rate (such as [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.)) used to specify conditions of an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) or an [interest rate agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_agreement).

**Refinancing**

An extension and/or increase in amount of existing [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Reflation**

Government monetary action that causes a reversal of [deflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deflation).

**Refund**

To retire existing [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) through the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a new [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), usually to reduce the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) being paid.

**Refundable**

Eligible for [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) under the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of a [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture).

**Refunded bond**

Also called a [prerefunded bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prerefunded_bond), a bond that originally may have been [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) as a [general obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_obligation_bonds) or [revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revenue_bond) but that is now secured by an [escrow](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#escrow) fund consisting entirely of direct U.S. government [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that are sufficient for paying the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**Refunding**

[Redeeming](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) received from [issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) lower-[cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) with ranking equal to or superior to the debt to be redeemed.

**Refunding Escrow Deposits (REDs)**

A [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) involving a [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward) [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that obligates [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at a certain rate when [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). The future date coincides with the first optional [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date) on an existing high-rate [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). In the interim, [investors'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is invested in [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) bonds. The Treasuries [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) around the [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date) on the existing [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), providing the money to buy the new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) the old one.

**Regional bank**

A bank operating in a specific region of the country, taking deposits and [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Regional Check Processing Center (RCPC)**

A Federal Reserve [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) processing operation that clears checks drawn on depository institutions located within a specified area. RCPCs expedite [collection](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of checks within the area on an overnight basis.

**Regional fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in a specific geographic area overseas, such as Asia or Europe.

**Regional stock exchanges**

Organized national securities exchanges located outside of New York City and registered with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) They include: the Boston, Cincinnati, Intermountain (Salt Lake City-dormant, owned by COMEX), Midwest (Chicago), Pacific (Los Angeles and San Francisco), Philadelphia (Philadelphia and Miami), and Spokane (local mining and Canadian [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), non-reporting trades) [Stock Exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Registered bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) records ownership and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments). Differs from a [bearer bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bearer_bond), which is traded without record of ownership and whose possession is the only evidence of ownership.

**Registered check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) issued and [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by a bank for a customer who provides funds for payment of the check.

**Registered company**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_firm) with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) after submission of a required statement and compliance with [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) [requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing_requirements).

**Registered competitive market maker**

An [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.)-[registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who acts as a [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) for a designated [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) stock by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to maintain stability.

**Registered equity market maker**

[Member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) of the [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) registered as a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to make stabilizing [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for its own account in particular [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Registered investment adviser**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-[registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) individual or [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that substantiates completion of education and work experience in the field, and pays an [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) membership fee.

**Registered investment company**

An [investment firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) which is [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) and complies with certain stated legal requirements.

**Registered options trader**

An [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) who monitors a certain group of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to help maintain a fair and orderly [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Registered Owner**

An individual or organization to whom [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) are directly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and who, as a result, is recorded on the [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) securityholder records (as maintained by the [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent)).

**Registered Retirement Savings Plan (RRSP)**

[Tax-sheltered](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) [retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) for Canadian citizens, much like an American [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account).

**Registered representative**

A person registered with the [CFTC](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.f.t.c.) who is employed by and solicits business for a [commission house](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission_house) or [futures commission merchant](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_commission_merchant).

**Registered secondary offering**

A [reoffering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of a large [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), previously publicly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), by the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of a large portion of some [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) through an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) firm.

**Registered security**

Used in the context of general equities. [Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose owner's name is recorded on the [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) of the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) or the issuer's [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), called a [registrar](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registrar).

**Registered Shares**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in a [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) name as the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of record.

**Registered trader**

A member of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) who [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) frequent [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for his or her own account.

**Registrar**

[Financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) appointed to record [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and ownership of company [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Registration**

In the [securities market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_markets) describes process set up pursuant to the [Securities Exchange Acts of 1933 and 1934](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) whereby [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are to be sold to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) are reviewed by the [SEC.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission)

**Registration statement**

A legal document filed with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) to [register securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_security) for [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) that details the purpose of the proposed public offering. The statement outlines [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) details, a history of the company's operations and [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management), and other facts of importance to potential [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). See: [Registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration).

**Regression**

A mathematical technique used to explain and/or predict. The general form is Y = a + bX + u, where Y is the variable that we are trying to predict; X is the variable that we are using to predict Y, a is the intercept; b is the slope, and u is the regression [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals). The a and b are chosen in a way to minimize the squared sum of the residuals. The ability to fit or explain is measured by the [R-square](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#r_squared).

**Regression analysis**

A statistical technique that can be used to estimate relationships between [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable).

**Regression coefficient**

Term yielded by [regression analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression_analysis) that indicates the sensitivity of the dependent variable to a particular [independent variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#independent_variable). See: [Parameter](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parameter).

**Regression equation**

An equation that describes the average relationship between a [dependent](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dependent) variable and a set of explanatory variables.

**Regression toward the mean**

The tendency that a [random variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_variable) will ultimately have a value closer to its [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) value.

**Regressive tax**

A tax system that provides that average [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) decrease with increases in individuals' income brackets.

**Regular settlement**

[Transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is [settled](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) and [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) on the fifth full business day following the date of the transaction ([trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date)). In Japan, regular settlement occurs three business days following the trade date; in London, two weeks following the trade date (at times, three weeks); in France, once per month.

**Regular way settlement**

In the [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) and [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), the standard basis on which some [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) are settled is that the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the securities [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) is made against payment in [Fed funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds) on the day following the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Regulated commodities**

The group of [registered](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) [commodity futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity_futures_contract) and [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on organized U.S. [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Regulated investment company**

An [investment company](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) allowed to pass [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) earned on fund [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) directly to its [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) so that it is taxed only at the personal level, and double taxation is avoided.

**Regulation A**

An exemption from the [Securities Act of 1933](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) that exempts small [public offerings](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering), valued at less than $1.5MM from most [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) requirements with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Regulation D**

There are two Regulation Ds. First, it refers to the exemption from the [Securities Act of 1933](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) for Private Placements. These placements are exempt from [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) and [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) requirements. Second, it refers to a [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that currently requires [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) against their [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [borrowings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from foreign offices of other banks over a 28-day averaging period. Regulation D has been merged with [Regulation M](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_m).

**Regulation FD (fair disclosure)**

U.S. [S.E.C.](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) whose purpose is to ensure that select groups of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) are not privy to [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_news) information before other investors. Executives are not allowed to reveal nonpublic information during their communications with [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) and select [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). If information is inadvertently released, they must take steps to broaden the dissemination of the information within 24 hours of discovering the [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure).

**Regulation G**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) of [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) other than commercial banks, [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), or [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) that provide [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of or carrying of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). This regulation was discontinued by a 1998 amendment.

**Regulation M**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that currently requires [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) against their[net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [borrowings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) from their foreign branches over a 28-day averaging period. Reg M has also required member banks to hold [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) against [Eurodollars](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) lent by their foreign branches to domestic [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) for domestic purposes.

**Regulation Q**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) imposing [caps](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_adjustable_preferred_stock) on the rates that banks may pay on savings and [time deposits](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_deposit). Currently [time deposits](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_deposit) with a [denomination](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) of $100,000 or more are exempt from Reg Q.

**Regulation T**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that deals with granting[credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to customers by [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), and [exchange member](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) as far as [initial margin requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_margin_requirement) and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are covered under the rules.

**Regulation T Calls**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) Regulation T [margin calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) are [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) when a customer makes a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in a margin account and does not meet the minimum initial requirement of 50% [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) available. This margin call is referred to as a Fed Call. The customer must increase the [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in the account by depositing additional funds and/or marginable securities. If the necessary amount of cash or securities is not deposited into the account within the specified time period, securities may be sold to meet the [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call), and the account may become [restricted](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted).

**Regulation U**

[Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_board) limit on how much [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) a bank can allow a customer for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and carrying of margin securities.

**Regulations**

Rules specifying the appropriate behavior of [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency), organizations or individuals in the [securities industry](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_industry_association).

**Regulatory accounting procedures (RAP)**

Accounting principles required by the [FHLB](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_home_loan_banks) that allow [S&Ls](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) to elect [annually](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) to defer [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) and [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [amortize](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) these deferrals over the average life of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) sold.

**Regulatory pricing risk**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that arises when insurance companies are subject to [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) of the [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) rates that can they charge.

**Regulatory surplus**

The surplus as measured using [regulatory accounting principles (RAP)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulatory_accounting_procedures), which may allow the nonmarket valuation of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) and which may be materially different from [economic surplus](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#economic_surplus).

**Rehypothecation**

[Pledging](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pledging) to banks by [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) of the amount in customers' [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) for [broker loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker_loan_rate), which are used to cover [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) loans to customers for [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and selling [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short).

**Reimbursement**

Payment made to someone for out-of-pocket [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) has incurred.

**Reinstatement**

The restoration of an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) after it has lapsed for nonpayment of [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium).

**Reinsurance**

The spreading of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and division of client [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) among insurance companies allowing the sharing of the burden of a large risk.

**Reinvestment**

Use of [investment income](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_income) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) additional [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Many [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) companies and investment services offer the automatic reinvestment of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) as an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Reinvestment date**

The date on which an [investment's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) or [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) income is [reinvested](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment), if requested by the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Also known as the [ex-dividend date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend_date).

**Reinvestment effect**

The impact of a change in [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on the [reinvestment rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_rate).

**Reinvestment privilege**

A [shareholder's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) right to reinvest [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) more [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund).

**Reinvestment rate**

The rate at which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) assumes [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) made on a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) can be [reinvested](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_rate) over the life of that security.

**Reinvestment risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) received in the future may have to be [reinvested](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) at a lower potential [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Reinvoicing center**

A central [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) an [MNC](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#multinational_corporation) uses to reduce [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) exposure by billing all home country exports in the home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and reinvoicing to each operating affiliate in that affiliate's local[currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency). It can also be used as a netting center.

**Rejection**

Refusal by a bank to grant [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit), usually because of the applicants [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) history, or refusal to accept a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) presented to complete a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), usually because of a lack of proper endorsements or violation of rules of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#good_delivery).

**Relative form of purchasing power parity**

Theory that the rate of change in the prices of products should be somewhat similar, but not absolutely the same when measured in a common [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), as long as transportation [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and trade barriers are unchanged.

**Relative PE**

A firm or industry's price to earnings ratio divided by the market price to earnings ratio.

**Relative purchasing power parity (RPPP)**

Idea that the rate of change in the price level of [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in one country relative to the price level in another determines the rate of change of the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) between the two countries' [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Relative strength**

Movement of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) price over the past year as compared to a [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) (like the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500). A value below 1.0 means the stock shows relative weakness in [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) (underperformed the market); a value above 1.0 means the stock shows [relative strength](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#relative_strength) over the one-year period. Equation for Relative Strength: [current stock price/year-ago stock price] divided by [current S&P 500/year-ago S&P 500]. Note: this can be a misleading indicator of performance because it does not take [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) into account.

**Relative strength index**

Used in technical analysis, it is a measure of the number of days a stock increases in value relative to the number of days it decreases in value. The rule of thumb is that values over 70 suggest overvaluation and hence selling where as values around 30 suggest undervaluation or buying. Of course, this indicator completely ignores all fundamental information about the firm's prospects and, hence, is problematic to use as a stand-alone indicator for an investment strategy.

**Relative value**

The attractiveness measured in terms of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity), and [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of one [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) relative to another, or, for a given instrument, of one [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) relative to another.

**Relative yield**

Often refers to a yield on a security relative to the yield on a benchmark security (i.e. a ratio). It is more common to consider a yield spread which is just the difference in two yields.

**Relative yield spread**

The ratio of the [yield spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread_strategies) to the yield level. Used for [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Release**

Relieve party to a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of any previously made [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) concerning that trade, hence allowing the would-be transactor to show the [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry)/[order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to a new [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Release clause**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) provision that releases a pledged [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) after a certain portion of the total payments has been made.

**Reload Stock Option**

A replacement [stock option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option) granted by some companies to optionees upon a stock swap. The number of reload shares granted is equal to the number of shares delivered to [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) the option plus, in some cases, any shares withheld for tax withholding obligations. The exercise price of the new option is the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price). The option generally expires on the same date that the original option would have.

**Remainderman**

One who receives the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) of a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) when it is dissolved.

**Remaining maturity**

The length of time remaining until a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) comes due

**Remaining principal balance**

The amount of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) dollars remaining to be paid under a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) as of a given time.

**Remargining**

Putting up additional [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) after a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) on a brokerage customer's [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) so that it meets minimum [maintenance requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#house_maintenance_requirement).

**Rembrandt market**

The [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in the Netherlands.

**Remit**

To pay for [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check), or electronic transfer.

**Remote disbursement**

Technique that involves writing [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) drawn on banks in remote locations so as to maximize [disbursement float](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disbursement_float).

**Renegotiable rate**

A type of variable rate involving a renewable [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) "balloon" note. The interest rate on the loan is generally fixed during the [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the note, but when the balloon comes due, the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) may refinance it at a higher rate. In order for the loan to be fully amortized, periodic refinancing may be necessary.

**Renewal**

Placement of a [day order](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#day_order) identical to one not completed on the previous day.

**Renewable term life insurance**

A policy for a stated period that may be renewed if desired at the end of the [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**Rent**

Regular payments to an owner for the use of some [leased](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) property.

**Rental lease**

See: [Full-service lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#full_service_lease)

**Rent control**

Municipal [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) restricting the amount of rent that a building owner can charge.

**Reoffering yield**

In a [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), the [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) at which an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to sell [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Reopen an issue**

The [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury), when it wants to sell additional [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), will occasionally sell more of an existing [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) (reopen it) rather than [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Reopening**

[Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of additional amounts of [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), rather than an entirely new issue. A reopened issue will always have the same [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) date, [CUSIP](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.u.s.i.p.) number, and [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) as the original issue.

**Reorg (or Corporate Action or Reorganization)**

Any [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) involving the issuance of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), or the [cancellation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) of stock tendered by a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), such as in the case of a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger), acquisition or [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Reorganization**

Creation of a plan to restructure a [debtor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) business and restore its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) health.

**Reorganization bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) undergoing a [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) process.

**Repatriation**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) from abroad of the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) of an organization or individual.

**Replacement Chain**

A concept that views a [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment) as an indefinite commitment to a specific type of technology. The replacement chain concept can be used to allow the [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of mutually exclusive [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with unequal lives.

**Replacement cost**

[Cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) to replace a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Replacement cost accounting**

An accounting method that includes as part of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) the difference between the original [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and the current [replacement cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replacement_cost).

**Replacement cost insurance**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) that pays out the full amount required to replace damaged property with new property, without taking into account the [depreciated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) value of the property.

**Replacement cycle**

The frequency with which an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) is replaced by an equivalent asset.

**Replacement value**

Current [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of replacing the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Replacement-chain problem**

Idea that future replacement decisions must be taken into account in selecting among projects.

**Replicating portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) constructed to match an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) or [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark).

**Repo**

An agreement in which one party sells a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to another party and agrees to repurchase it on a specified date for a specified price. See: [Repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement).

**Report**

Written or oral confirmation that all or part of one's [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) has been [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), including the price and size parameters of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) being reported; often followed by a [fresh picture](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fresh_picture).

**Report of Condition and Income**

[Financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) report that all banks, bank [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) companies, savings, and loan associations, Edge Act and agreement [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), and certain other types of organizations must file with a federal regulatory [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency). Informally termed a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report).

**Reported factor**

The [pool factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool_factor) as [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) by the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) for a given [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) period.

**Reporting currency**

The [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) in which the [parent firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) prepares its own [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement); that is, US dollars for a US [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Representations**

In the context of project financing, a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of statements about a project, a sponsor, or the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) under the project [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) or the financing agreements.

**Repricing**

To change the price of an asset. In derivatives, it sometimes refers to the exchange of options of with different [strike prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price).

**Reproducible assets**

A [tangible asset](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tangible_asset) with physical properties that can be matched or duplicated, such as a building or machinery.

**Repurchase agreement**

An agreement with a [commitment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commitment) by the seller ([dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer)) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) back from the [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) (customer) at a specified price at a designated future date. Also called a [repo](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repo), it represents a collateralized [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) for which, where the [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) may be a [Treasury security](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities), [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), [federal agency security](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_agency_securities), or mortgage-backed security. From the purchaser's (customer's) perspective, the deal is reported as a [reverse repo](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reverse_repo).

**Repurchase of stock**

Technique to pay [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) that provides more preferential tax treatment for [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) than [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). [Treasury stock](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_stock) is the name given to previously [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that has been repurchased by the firm. A repurchase is achieved through either a [Dutch auction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dutch_auction), open market, [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase), or [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Required minimum distribution (RMD)**

The minimum amount that the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) requires must be withdrawn each year from all tax-advantaged retirement plans starting in the calendar year following the year in which the plan [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) reaches age 70-1/2. [Roth IRAs](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#roth_ira) are exempt from this rule.

**Required Rate of Return (RRR)**

The minimum expected yield by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) require in order to select a particular [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Required reserves**

The dollar amounts, based on [reserve ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve_ratios), that banks are required to keep on deposit at a [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Required return**

The minimum [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) you would need in order to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), that is, to make the [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Required yield**

Generally referring to [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond); the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) required by the marketplace to match available [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) for [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) with comparable [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Rescaled Range (R/S) Analysis**

The analysis developed by H.E. [Hurst](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent) to determine long-memory effects and [fractional Brownian motion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractional_brownian_motion). [Rescaled range analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rescaled_range_analysis) measures how the distance covered by a particle increases as we look at longer and longer time scales. For Brownian motion, the distance covered increases with the square root of time. A [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) which increases at a different rate is not random. See: [Anti-persistence](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#anti_persistence), [Fractional Brownian Motion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractional_brownian_motion), [Hurst Exponent](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurst_exponent), Persistence, [Joseph Effect](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joseph_effect), [Noah Effect](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noah_effect).

**Rescheduled loans**

Bank [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that are usually altered to have longer [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) in order to assist the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) in making the necessary repayments.

**Rescind**

To [cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) because of misrepresentation, fraud, or illegal procedure.

**Research and development (R"D)>**

Development of new products and services by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in order to obtain a competitive advantage.

**Research and development limited partnership**

A [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) whose [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) put up [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) new product R&D in return for [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) generated from the products.

**Research department**

The office in an [institutional investing organizations](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) that analyzes [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Research portable**

Service offered to clients that transmits [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) research electronically by computers.

**Reserve**

An accounting entry that properly reflects contingent [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Reserve account**

A separate amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) to service a payment requirement such as [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service or maintenance.

**Reserve currency**

A [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) held by a [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) or monetary authority for the purposes of exchange intervention and the [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of intergovernmental claims.

**Reserve ratios**

Specified percentages of deposits, established by the [Federal Reserve Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system), that banks must keep in a noninterest-bearing account at one of the twelve Federal Reserve Banks.

**Reserve requirements**

The percentage of different types of deposits that [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) are required to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) on deposit at the [Fed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system).

**Reservation price**

The price below or above which a seller or [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) is unwilling to go.

**Reset bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that allow the initial [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) to be adjusted on specific dates in order that the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at the value they had when they were [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Reset frequency**

The frequency with which the [floating rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) changes.

**Residential mortgage**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) on a residential property, [tax-deductible](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deductible) for individuals up to $1 million.

**Residential property**

Property that consists of homes, apartments, townhouses, and condominiums.

**Residual**

See:[Residual value](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_value)

**Residual assets**

[Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that remain after sufficient assets are dedicated to meet all [senior debtholders'](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#senior_debt) claims in full.

**Residual claim**

Related: [Equity claim](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_claim)

**Residual cover**

The [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) remaining after a project financing has been repaid, expressed as a percentage of the original [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan). Residual cushion.

**Residual dividend approach**

An approach that suggests that a firm pay [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) if and only if acceptable investment opportunities for those funds are currently unavailable.

**Residual method**

A method of allocating the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) price for the [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) among the [acquired assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition_of_assets).

**Residual Return**

[Return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) independent of the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark). The [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals) return is the return relative to [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) times the benchmark return. To be exact, an [asset's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) residual return equals its [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) times the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns).

**Residual risk**

Related: [Unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk)

**Residuals**

(1) Part of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) not explained by the explanatory [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) (the [market index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_index) return). Residuals measure the impact of [firm-specific](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_specific_risk) events during a particular period. (2) Remainder [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) generated by [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) and those needed to fund [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) supported by the collateral.

**Residual value**

Usually refers to the value of a [lessor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) property at the time the [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) expires.

**Resiliency**

Speed with which new orders respond to a change in prices.

**Resistance**

An effective upper bound on prices achieved because of many willing sellers at that price level.

**Resistance level**

A price level above which it is supposedly difficult for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to rise. Price [ceiling](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#ceiling) at which [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) note persistent selling of a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Antithesis of [support level](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support_level).

**Resolution**

A document that records a decision or action by a [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors), or a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [resolution](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resolution) by a government entity authorizing a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Resolution Funding Corporation (RefCorp)**

A government [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) established by Congress in 1989 to issue [bailout bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bailout_bond) and raise funds for the activities of the [Resolution Trust Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resolution_trust_corporation), as well as to administer struggling institutions inherited from the disbanded [Federal Savings and Loan Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_savings_and_loan_association).

**Resolution Trust Corporation (RTC)**

A government [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) established in 1989 and disbanded in 1996 that administered [federal savings and loan institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_savings_and_loan_association) that were [insolvent](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent) between 1989 and August 1992 by either [bailing them out](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bailing_out) or merging them.

**Restricted**

Placed on a list that dictates that the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) may not maintain [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), solicit business, or provide [indications](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), but may serve as [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) after being properly cleared. Traders are so restricted due to [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) involvement with the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) on nonpublic activity (i.e., [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) and [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) defense), affiliate ownership, or [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) activities; signified on the Quotron by a flashing "R." A restricted list and the stocks on it should never be conveyed to anyone outside of the trading areas, much less outside the firm. See: [Grey list](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grey_list).

**Restricted account**

A [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) without enough [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) to meet the [initial margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_margin_requirement) that is restricted from any [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) until the requirement is fulfilled.

**Restricted Securities**

The term used under [Rule 144](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_144) for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) privately by the company, without the benefit of a registration statement. Restricted securities are subject to a [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) period before they can be sold under Rule 144.

**Restricted surplus**

A portion of [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings) not allowed by law to be used for the payment of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Restricted stock**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that must be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in compliance with special [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) regulations concerning its [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and resale. These restrictions generally result from [affiliate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#affiliate) ownership, [M&A](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) activity, and [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) activity. Many firms are now using restricted stock as a reward for employees. The advantages to restricted stock are: employees get dividends, employees usually get voting rights, and employee gets something even if the stock price drops over the vesting period (whereas an option would be worthless).

**Restricted Stock Award**

Grants of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) subject to restrictions on [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of forfeiture until vested by continued employment. Restricted stock typically vests in increments over a period of several years. Dividends or dividend equivalent rights may be paid, and award [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) may have voting rights, during the restricted period.

**Restricted stock units**

Similar to [restricted stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_stock). However, the unit represents a promise that employees will receive stock in the future. The units do not pay dividends until the stock is vested.

**Restrictive covenants**

Provisions that place constraints on the operations of [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), such as restrictions on [working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital), [fixed assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_asset), future borrowing, and payment of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Restrictive endorsement**

An endorsement signature on the back of a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that specifies the conditions under which the check can be [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) or paid out.

**Restructuring**

The [reorganization](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in order to attain greater efficiency and to adapt to new [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Major corporate restructuring [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) include [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger), [acquisitions](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition), [tender offers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer), [leveraged buyouts](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout), divestitures, spin-offs, [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) carve-outs, [liquidations](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) and [reorganizations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reorganization).

**Resyndication limited partnership**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of existing properties to new [limited partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership), so that they can receive the tax advantages that are no longer available to the old [partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner).

**Retail**

Individual and institutional customers as opposed to [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Retail credit**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) granted by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to consumers for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of goods or services. See: [consumer credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_credit).

**Retail house**

A brokerage firm that caters to individual customers rather than large institutions.

**Retail investors**

Small individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who commit [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) for their personal account rather than on behalf of another [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Retail price**

The total price charged for a product sold to a customer, which includes the manufacturer's [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) plus a [retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retail) markup.

**Retained earnings**

Accounting [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) that are retained by the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) for [reinvestment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_rate) in its operations; [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) that are not paid out as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Retained earnings statement**

A statement of all [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) affecting the balance of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) retained [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) account.

**Retention**

The number of [units](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) allocated to an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) member less the units held back by the syndicate manager for facilitating institutional [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and for allocation to [nonmember firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm). In the context of construction [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), an amount retained from construction contract payments (5-15% of the contract price) to ensure the contractor completes the construction before the retention is returned.

**Retention rate**

The percentage of present [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) held back or retained by a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), or one [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [dividend payout rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_payout_ratio). Also called the [retention ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retention_rate).

**Retire**

To extinguish a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), as in paying off a [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Retirement**

Removal from circulation of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that have been reacquired or [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption).

**Retirement Protection Act of 1994**

Legislation designed to protect the pension benefits of workers and [retirees](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) by increasing required support of [pension plans](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) by employers.

**Retracement**

A [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) in the opposite direction of the previous [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Return**

The change in the value of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) over an [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period), including any [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distributions) made from the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) during that period.

**Return if Exercised**

The return that a covered [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) writer would make if the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) were called away.

**Return of capital**

A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) resulting from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) asset, or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), or tax breaks from [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Return on assets (ROA)**

Indicator of [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Determined by dividing [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) for the past 12 months by total [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). Result is shown as a percentage. ROA can be decomposed into return on [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) ([net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income)/[sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale)) multiplied by asset utilization (sales/assets).

**Return on capital employed (ROCE)**

Indicator of [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) of the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment). Determined by dividing [Earnings Before Interest and Taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_before_interest_and_taxes) by (capital employed plus [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) intangible assets). The idea is that this ratio should at least be greater than the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Return on equity (ROE)**

Indicator of [profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Determined by dividing [net income](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_income) for the past 12 months by [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholder equity](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder_equity) (adjusted for [stock splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split)). Result is shown as a percentage. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) use ROE as a measure of how a company is using its [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money). ROE may be decomposed into [return on assets (ROA)](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_assets) multiplied by [financial leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage) (total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset)/total [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity)).

**Return on investment (ROI)**

Generally, [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) income as a proportion of [net book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_book_value).

**Return on sales**

A measurement of operational efficiency equaling[net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) pre-tax [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) divided by [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) expressed as a percentage.

**Return on total assets**

The ratio of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) available to [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Return-to-maturity expectations**

A variant of [pure expectations theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pure_expectations_theory) that suggests that the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will realize by rolling over [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to some investment horizon will be the same as [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a [zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) that is the same as that investment horizon.

**Reuters**

International news and [quotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) service based in London.

**Revaluation**

An increase in the [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) value of a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) that is pegged to other currencies or gold.

**Revenues**

[Sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or royalty [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds). Quantity times price sold.

**Revenue Anticipation Note (RAN)**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) municipal [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that will be repaid with anticipated revenues, such as [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) taxes, from the project.

**Revenue bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a municipality to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) either a project or an enterprise in which the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) pledges to the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) the revenues generated by the operation of the projects financed. Examples are hospital revenue bonds and sewer revenue bonds.

**Revenue fund**

A fund accounting for all revenues from an enterprise [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by a [municipal revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond).

**Revenue Reconciliation Act of 1993**

Legislation created to reduce the federal [budget deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget_deficit) by cutting spending and increasing taxes.

**Revenue sharing**

The percentage split between the general [partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) and [limited partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) of [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) resulting from the operation of the involved business.

**Reversal**

[Turn](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#turn), [unwind](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unwind_a_trade). For convertible reversal, selling a convertible and [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), usually effected by an [arbitrageur](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrageur). For market reversal, change in direction in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) futures markets, as [charted](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) by [technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) in [trading ranges](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_range). For options reversal, [closing the positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close_a_position) of each aspect of an options [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) or [combination](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#combination) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy).

**Reversal Arbitrage**

A riskless arbitrage that involves selling the stock short, writing a put, and [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call). The options have the same [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**Reverse a swap**

Re[swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to gain the advantage of a [yield spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread) or tax loss and restore a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to its [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) before the original swap.

**Reverse conversion**

A technique in which brokerage firms earn [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) they [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) for their customers by selling the [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) and [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) in [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) accounts. The [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) are [hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) to protect against adverse [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions.

**Reverse leverage**

Occurs when the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on [borrowings](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) exceeds the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of the funds that were [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Reverse leveraged buyout**

Bringing back into [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) status a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that had been privatized by way of a [leveraged buyout](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leveraged_buyout).

**Reverse mortgage**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) agreement allowing a homeowner to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) against home [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) and receive tax-free payments until the total [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) reach the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) limit of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), and the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) is either repaid in full or takes the house.

**Reverse price risk**

A type of [mortgage pipeline risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pipeline_risk) that occurs when a [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) commits to sell [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) at rates prevailing at the time of mortgage application but sets the [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) rates when the [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) closes. The lender is thus exposed to the risk of falling rates.

**Reverse repo**

In essence, refers to a [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement). From the customer's perspective, the customer provides a [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to the seller.

**Reverse stock split**

A proportionate decrease in the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), but not the total value of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) held by [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). Shareholders maintain the same percentage of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) as before the [split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split). For example, a 1-for-3 split would result in [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) owning one share for every three shares owned before the split. After the reverse split, the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) stock price is, in this example, three times the pre-reverse split price. A firm generally institutes a reverse split to boost its stock's [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) price. Some think this supposedly attracts [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Reversion**

See: [Mean reversion.](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_reversion)

**Reversing trade**

Entering the opposite side of a currently held [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) to [close out the position](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close_a_position).

**Revised estimate**

The third estimate of [GDP](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#g.d.p.) released about three months after the measurement period.

**Revisionary trust**

An [irrevocable trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#irrevocable_trust) that becomes a [revocable trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revocable_trust) after a certain amount of time.

**Revocable letter of credit**

Assurance of funds [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a bank that can be canceled at any time without prior notification to the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary).

**Revocable trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) that may altered as many times as desired in which income-producing property passes directly to the [beneficiaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) at the time of the [grantor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor) death. Since the arrangement can be altered at any time, the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) are considered part of the grantor's estate and they are taxed as such.

**Revolving credit agreement**

A legal commitment in which a bank promises to [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) a customer up to a specified maximum amount during a specified period.

**Revolving line of credit**

A bank [line of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) on which the customer pays a commitment fee and can take and repay funds at will. Normally a revolving LOC involves a firm commitment from the bank for a period of several years.

**Reward-to-volatility ratio**

Ratio of [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) to [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation).

**Rich**

Term for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose price seems too high in light of its price history.

**RICO**

Stands for Racketeer Influenced and Corrupt Organization Act. Legislation under/which [inside traders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insider_trading) may be convicted.

**Rider**

A form accompanying an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that alters the policy's [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) or coverage.

**Riding the yield curve**

Buying [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in anticipation of [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) as [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) fall with the declining [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of the bonds.

**Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994**

Law permitting interstate banking in the U.S.

**Rigged market**

Manipulation of prices in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to attract [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sellers.

**Right**

Privilege granted [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to subscribe to [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) before it is [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). Such a right, which normally has a life of two to four weeks, is freely [transferable](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) and entitles the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the new common stock below the [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) price. See: [Warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Right here**

Used in the context of general equities. [In-line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line), emphasizing that this is a customer [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) that is ready to be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) and not distant on price. See: [Tight](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tight).

**Right of accumulation**

Allow investors to combine prior mutual fund purchases with current purchases in the same mutual fund or related mutual fund family to qualify for a [breakpoint](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#breakpoint) and obtain a lower sales charge.

**Rights offering**

Issuance to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) that allows them to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), usually at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) price. [Holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of shareholders who do not [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) rights are usually diluted by the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings). Rights are often [transferable](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer), allowing the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) to sell them on the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to others who may wish to exercise them. Rights offerings are particularly common to [closed-end funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund), which cannot otherwise [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) additional [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Right of first refusal**

The right of a person or [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) some thing before the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) is made to others.

**Right of redemption**

The right to recover property that has been attached by paying off the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) .

**Right of rescission**

The right to void a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) without any penalty within three days as provided in the [Consumer Credit Protection Act of 1968](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consumer_credit_protection_act_of_1968).

**Rights Agreement (aka "Poison Pill")**

An anti-[takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) arrangement often established by a company in anticipation of a [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) attempt. The company appoints a Rights Agent who will [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) Rights [Certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) to each [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) at the time of the takeover attempt. The shareholder may then [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) these rights to receive additional shares of stock and/or [debentures](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture), making the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) more expensive to [acquire](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) as a result of the additional shares [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding), or the additional [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Rights Offering**

A popular means of raising [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) by offering [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) the opportunity to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the same [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a price below the current market value.

**Rights-on**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) with [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right) attached to them.

**Rights of set-off**

An agreement defining each party's rights should one party [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on its [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation). A setoff is common in [parallel loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parallel_loan) arrangements.

**Rings**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) arenas located on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in which [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). Sometimes called a [pit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pit).

**"Ring the cash register"**

Used in the context of general equities. "Take a profit." See: [Profit taking](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_taking).

**Rio de Janeiro Stock Exchange (Bolsa do Rio)**

Brazil's major securities market.

**Rising bottoms**

Chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) showing an increasing [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in the daily low prices of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Risk**

Often defined as the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on total [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment). Degree of uncertainty of return on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). In context of [asset pricing theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_pricing_model). See: [Systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk).

**Risk-adjusted discount rate**

The rate established by adding a expected [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) to the risk-free rate in order to determine the [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) of a [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Risk-adjusted profitability**

A [probability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) used to determine a "sure" [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) (sometimes called a [certainty equivalent](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certainty_equivalent)) that would be equivalent to the actual [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value).

**Risk-adjusted return**

Often we subtract from the [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) a rate of return from another asset that has similar [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk). This gives an abnormal rate of return that shows how the asset performed over and above a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) asset with the same risk. We can also use the [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) against the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) to calculate an [alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha), which is also risk-adjusted performance.

**Risk arbitrage**

Traditionally, the simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) being [acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) and the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of stock of the acquirer. Modern risk arbitrage focuses on capturing the [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of an announced [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) and the eventual price at which the acquirer will [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the target's [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Risk-averse**

Describes an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who, when faced with two [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with the same [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) but different [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), prefers the one with the lower risk.

**Risk-based capital ratio**

Bank requirement that there be a minimum ratio of estimated total [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) to estimated [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-weighted [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Risk classes**

Groups of projects that have approximately the same amount of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Risk controlled arbitrage**

A self-[funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funding), self-[hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) series of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that generally use mortgage securities (MBS) as the primary [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Risk factor**

In [arbitrage pricing theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory) or the multibeta capital [asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_pricing_model), the set of common [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) that impact [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), e.g., [market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return), [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation), or industrial production.

**Risk-Free Interest Rate**

Describes [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) available to an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) somehow [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) to produce that return. The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk)-free [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [compensataes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) for the temporary sacrifice of consumption.

**Risk indexes**

Categories of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) used to calculate [fundamental beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fundamental_beta), including (1) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) variability, (2) [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) variability, (3) low valuation, (4) immaturity and smallness, (5) growth orientation, and (6) [financial risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_risk).

**Risk profile**

The slope of a line graphed according to the value of an [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) on the x-axis and the value of a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) exposed to [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) in the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) on the y-axis. Also used with changes in value. See: [Payoff profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payoff_profile).

**Risk-return trade-off**

The tendency for potential [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) to vary directly with potential [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), so that the more risk involved, the greater the potential return, and vice versa.

**Risk tolerance**

An [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) ability or willingness to accept declines in the prices of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) while waiting for them to increase in value.

**Riskless arbitrage**

The simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of the same [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Riskless or risk-free asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) whose future [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is known today with certainty. The [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset) is commonly defined as [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the US government.

**Riskless rate**

The rate earned on a [riskless](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), typically the rate earned on the 90-day [US Treasury Bill](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#us_treasury_bill).

**Riskless rate of return**

The rate earned on a [riskless](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Riskless transaction**

A [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that is [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit), such as the [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) of a temporary differential between [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) prices in two different [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). The evaluation of whether [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) markups and markdowns in [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) are reasonable. According to [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.), markups or markdowns should not exceed 5%.

**Risk lover**

A person willing to accept lower [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on prospects with higher amounts of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Risk management**

The process of identifying and evaluating [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and selecting and managing techniques to adapt to risk exposures.

**Risk-neutral**

Insensitive to [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Risk-prone**

Willing to pay [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to assume [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) from others.

**Risk premium**

The reward for [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) the [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) rather than the [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_or_risk_free_asset). The [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) and non-Treasury bonds of comparable [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Risk premium approach**

A common approach for tactical [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) allocation to determine the relative valuation of [asset classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_classes) based on [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Risk profile**

A mapping of the change in value or [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) and [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to which an organization has exposure.

**Risk-return tradeoff**

The basic concept that higher expected [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) accompany greater [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), and vice versa.

**Risk-reward ratio**

Relationship of substantial reward [corresponding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correspondent) to the amount of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) taken; mathematically represented by dividing the [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) by the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation).

**Risk seeker**

[Investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who likes to take [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and is even willing to pay for it. Also called [risk lover](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_lover).

**Risk transfer**

The shifting of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) through insurance or securitization of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) because of [risk aversion](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_averse).

**Risky asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) whose future [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is uncertain.

**Risk-adjusted return**

[Return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) earned on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [normalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normalized_earnings) for the amount of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with that asset.

**Risk-free asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) whose future normal return is known today with certainty.

**Risk-free rate**

The rate earned on a [riskless asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_or_risk_free_asset).

**Road show**

A promotional presentation by an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to potential [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) about the desirable qualities of the [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Rotation**

An [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) asset management [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that tactically overweighted and underweighted certain [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector), depending on expected performance. Sometimes called [sector rotation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector_rotation).

**Rocket scientist**

An employee of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) firm (often having a Ph.D. in physics or mathematics) that works on highly mathmatic models of [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) pricing.

**Roll down**

To move to an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) with a lower [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Roll forward**

To move to an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) with a later [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Roll, Richard**

Author of path-breaking work on [asset pricing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_pricing_model) including the famous Roll critique. Finance professor at UCLA.

**Roll order**

(1) [Dividend roll](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_trade_roll_play); (2) Replacement of a maturing [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) with an identical one in the new [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity); (3) Recognizition of [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) or loss while reestablishing the position at the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Roll over**

To [reinvest](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment) funds received from a [maturing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of the same or a similar security.

**Roll up**

To move to an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) with a higher [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price). In [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital), refers to the venture capitalist forcing small firms to merge operations in order to reduce [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost)

**Rolling of Futures**

As [financial futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_future) have [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), often 3-9 months, before or at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), the future must be sold and a new [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#future) (for the same [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) but with a new [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)) must be repurchased.

**Rollover**

Means that a loan is periodically repriced at an agreed [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) over the appropriate, currently prevailing rate. Most [term loans](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_loan) in the Euromarket are made on a rollover basis as to current [LIBOR rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.).

**Rollover IRA**

A traditional [individual retirement account](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) from a [qualified plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_plan_or_trust) or 403(b) plan. These [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), as long as they are not mixed with other [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution), can later be rolled over to another qualified plan or 403(b) plan. Also known as a conduit IRA.

**Roll's Critique**

That the [CAPM](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model) [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) by construction when [performance is measured](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement) against a [mean-variance efficient index](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean_variance_efficient_portfolio); otherwise, it holds not at all. Attributable to [Richard Roll](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#roll) in 1977.

**Ross, Stephen**

Developer of the [Arbitrage Pricing Theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_pricing_theory). Finance professor at MIT.

**Roth IRA**

[Individual Retirement Account](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) that allows [contributors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to make [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) contributions and to withdraw the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and earnings tax-free under certain conditions. Maximum annual contributions are $3,000 per year (phasing up to $4,000 per year in 2005 and $5,000 per year in 2008.

**Round lot**

A [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) typically of 100 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or some multiple of 100. Related: [odd lot](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#odd_lot).

**Round-trip trade**

The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) within a short period of time.

**Round-trip transactions costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of completing a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), including [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [impact costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_impact_costs), and taxes.

**Round-turn**

Procedure by which the [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) of an individual is [offset](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) by an opposite [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) or by accepting or making [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of the actual [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity).

**Royalty**

Payment for the right to use intellectual property or natural resources.

**Rubber check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that bounces for lack of funds.

**R square (R2)**

Square of the [correlation coefficient](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation_coefficient). The proportion of the variability in one [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) that can be explained by the variability of one or more other series a [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) model. A measure of the quality of fit. 100% R-square means perfect predictability.

**Rule lOb-5**

An [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule that prohibits trading by insiders on material nonpublic information. This is also the rule under which a company may be sued for false or misleading [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure).

**Rule 13-d**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Requirement under Section 13-d of the [Securities Act of 1934](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_act_of_1933) that a form must be filed with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) within ten business days of [acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) direct or [beneficial ownership](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficial_ownership) of 5% or more of any [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) in a [publicly held](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#publicly_held) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). The [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of such [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) must also file a 13-d with the [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) on which the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are listed (if any) and the company itself. Required information includes the way the shares were acquired, the purchaser's background, and future plans regarding the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company). The law is designed to protect against insidious [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempts and to keep the investing [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) aware of information that could affect the price of their stock. See: [Williams Act](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#williams_act).

**Rule 14-d**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) and restrictions covering [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [tender offers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) and related [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) requirements.

**Rule 144**

Restricts solicitation of [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to complete the sell [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) of an [insider](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) (unless the firm is already a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)); signified by a flashing "E" on Quotron.

**Rule 144a**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule allowing qualified institutional [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [unregistered securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_security).

**Rule 405**

[NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) codification of "know your customer" rules, which require that a customer's situation is suitable for any [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) being made.

**Rule 415**

Permits [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to file a [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) they intend to [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the future when [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions are favorable. See: [Shelf registration](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shelf_registration).

**Rule of Absolute Priority**

A condition of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) [proceedings](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) under which junior (subordinated) claim [holders](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) can receive no payment until senior ([priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority)) claim holders are paid in full.

**Rule of 72**

A formula used to determine the amount of time it will take for [invested](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) to double at a given [compound interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_interest) rate, which is 72 divided by the [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate). The logic is as follows. The time for an amount A to double is given by 2A=A(1+i)^t where ^ represents exponent and i is the interest rate, e.g. .05 is 5%. The A term cancels from both sides of the question. Solve for t by taking the natural log of both sides of the equation. Hence, t= [ln(2) over {ln(1+i)}], which is approximately equal to 0.72 over i. Hence the rule of 72.

**Rules of fair practice**

Rules established by the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) that lay down guidelines for just and equitable principles of [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) and business in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Rumortrage**

A term combining the words "rumor" and [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage), used to describe [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) that occurs on the basis of rumors of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Rump**

Usually used in the context of a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition). A group of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) who refuse to [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) for a merger or acquisition. In a merger of Company A and Company B for example, if a sufficient number of Company B shareholders do not tender their shares, the new company will not be able to access the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) of Company B.

**Run**

A run consists of a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) quotes for different [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). [Dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) give and ask for runs from each other.

**Rundown**

A summary of the amount and prices of a [serial bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is still available for [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Running ahead**

The illegal practice of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for a [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) personal account before placing an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for a customer.

**Runoff**

Used for listed equity securities. [Series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) printed on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape) that occur on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) before 4:00 p.m., but are not [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) until afterwards due to heavy [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) that makes the tape late.

**Russell Indexes**

US [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) widely used by [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) and [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) that are weighted by [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization) and published by the Frank Russell Company of Tacoma, Washington. For example, the Russell 3000 [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) includes the 3,000 largest US [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) according to market [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization).

**Russell 1000**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the 1000 highest-ranking US [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [Russell 3000](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#russell_3000).

**Russell 2000**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the 2000 smallest US companies in the [Russell 3000](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#russell_3000).

**Russell 3000**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of the 3000 largest US [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), which represent about 98% of the US [equity market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market).

**Russian Exchange**

Russia's major securities market.

**Russian Trading System (RTS)**

An electronic system in Russia, like the [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.) system on which the majority of Russian equities [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is conducted.

**S**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying a beneficial interest.

**SA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAUDI ARABIA.

**SAIF**

See: [Savings Association Insurance Fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_association_insurance_fund)

**SAR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Saudi Arabian Riyal.

**SATURNS**

See [Structured Asset Trust Unit Repackagings](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#saturns).

**SB**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SOLOMON ISLANDS.

**SBD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Solomon Islands Dollar.

**SC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SEYCHELLES.

**SCR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Seychelles Rupee.

**SD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SUDAN.

**SDD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Sudanese Dinar.

**SDR**

See: [Special drawing rights](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#special_drawing_rights)

**SE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SWEDEN.

**SEAQ**

See: [Stock Exchange Automated Quotation System](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchange_automated_quotation_system)

**SEC**

See: [Securities & Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission)

**SED**

See: [Shipper's Export Declaration](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shippers_export_declaration)

**SEHK**

See: [Stock Exchange of Hong Kong](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchange_of_hong_kong)

**SEK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Swedish Krona.

**SHP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Saint Helena Pound.

**SIAC**

See: [Security Industry Automated Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_industry_automated_corporation)

**SIC**

See: [Standard Industrial Classification](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_industrial_classification)

**SIMEX**

See: [Singapore International Monetary Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#singapore_international_monetary_exchange)

**SG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SINGAPORE.

**SGD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Singapore Dollar.

**SH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAINT HELENA.

**SI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SLOVENIA.

**SIT**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Slovenian Tolar.

**SJ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SVALBARD AND JAN MAYEN.

**SK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SLOVAKIA.

**SKK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Slovak Republic Koruna.

**SL**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SIERRA LEONE.

**SLL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Sierra Leone Leone.

**SM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAN MARINO.

**SMBS**

See: [Stripped mortgage backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stripped_mortgage_backed_securities)

**SN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SENEGAL.

**SO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SOMALIA.

**SOES**

See: [Small Order Execution System](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#small_order_execution_system)

**SOS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Somalian Shilling.

**SOXS**

See: [Sarbanes Oxley Act of 2002](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sarbanes_oxley_act)

**SPDR**

The Standard and Poor's depositary receipt. This is a tracking stock which trades like an index mutual fund which follows the S&P 500. It trades continuously.

**SR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SURINAME.

**SRG**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Surinam Guilder.

**ST**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAO TOME AND PRINCIPE.

**STD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Sao Tome & Principe Dobra.

**SV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for EL SALVADOR.

**SVC**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the El Salvador Colon.

**SWIFT**

See: [Society for Worldwide Interbank Financial Telecommunications](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#society_for_worldwide_interbank_financial_telecommunications)

**SY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SYRIAN ARAB REPUBLIC.

**SYP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Syrian Pound.

**SZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SWAZILAND.

**SZL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Swaziland Lilangeni.

**SACE**

The Italian export [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency).

**Safe harbor**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage) as a form of [shark repellent](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant). A [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) [acquires](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) a business so onerously regulated that it makes the target less attractive, giving it, in effect, a safe harbor.

**Safe harbor lease**

A [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) tax benefits of ownership ([depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) and [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [tax shield](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shield)) from the lessee, if the [lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee) could not use them, to a [lessor](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessor) that could use them.

**Safekeep**

[Holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) by a bank of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and money market instruments. For a fee, the bank clips coupons and presents for payment at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Safety cushion**

In a [contingent immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingent_immunization) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy), the difference between the initially available [immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immunization) level and the [safety-net return](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#safety_net_return).

**Safety-net return**

The minimum available [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that will trigger an [immunization strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#immunization_strategy) in a [contingent immunization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingent_immunization) strategy.

**Salary**

Regular wages and benefits an employee receives from an employer.

**Salary freeze**

A temporary halt to increases in [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) due to [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) difficulties experienced by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Salary reduction plan**

A plan allowing employees to contribute pre-tax income to a [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferral_option) [retirement plan.](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan)

**Salary Reduction Simplified Employee Pension Plan (SARSEP)**

A low-[cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), no-frills version of a 401(k) employee savings plan available to [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with 25 or fewer employees. It allows employees to make pretax contributions to their [IRAs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) through [salary reduction](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary_reduction_plan) each year. The Small Business Job Protection Act of 1996 replaced SARSEPs with [SIMPLE (Savings Incentive Match Plan for Employees](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_incentive_match_plan_for_employees)) plans. Existing SARSEPs were allowed to add new participants, but new plans could not be formed after December 31, 1996.

**Sale**

An agreement between a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and a seller on the price to be paid for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), followed by [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Sale and lease-back**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an existing [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to a [financial institution](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) that then [leases](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) it back to the user. Related: [Lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease).

**Sales charge**

The fee charged by a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) at [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), usually payable as a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) to a marketing [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent), such as a [financial adviser](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser), who is thus [compensated](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for assistance to a purchaser. It represents the difference, if any, between the [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) purchase price and the share [net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value).

**Sales completion**

In the context of project financing, the state in which the project has reached physical completion and has delivered product or generated revenues in satisfaction of a sales [completion test](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#completion_test).

**Sales Contract**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) between a seller and [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) for the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of goods, services, or both.

**Sales forecast**

A key input to a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial planning](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_planning) process. External [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [forecasts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) are based on historical experience, statistical analysis, and consideration of various [macroeconomic](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#macroeconomics) [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Sales literature**

Material written by an institution selling a product, which informs potential [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) of the product and its benefits.

**Sales load**

See: [Sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge)

**Sales tax**

A percentage tax on the selling price of goods and services.

**Sales-type lease**

The [leasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) out of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) own equipment, such as a printing [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) leasing its own presses, thereby competing with an independent [leasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) company.

**Sallie Mae**

See: [Student Loan Marketing Association](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#student_loan_marketing_association)

**Salomon Brothers World Equity Index (SBWEI)**

A [top-down](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#top_down_approach), [float](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float) [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization)-weighted [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) used to measure the performance of fixed-income and [equity markets](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market). It includes approximately 6000 [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in 22 countries.

**Salomon Brothers Non-U.S. Dollar World Government Bond Index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) that includes institutionally traded [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) other than U.S. [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that have a fixed rate and a remaining [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of one year or longer.

**Salvage value**

Scrap value of plant and equipment.

**Same-Day Funds Settlement (SDFS)**

A method of [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) used in [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) between well-[collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) parties in good-the-same-day federal funds used by the [Depository Trust Company](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depository_trust_company) for [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in US government securities, [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) municipal [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), medium-term commercial paper notes, [CMOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.m.o.), and other [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments).

**Same-day substitution**

[Offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) changes in a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) during the day that result in no overall change in the balance of the account.

**Samurai bond**

A [yen](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yen_bond)-[denominated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued in Tokyo by a non-Japanese [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow). Related: [Bulldog bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bulldog_bond) and [Yankee bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yankee_bonds).

**Samurai market**

The [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in Japan.

**Santa Claus Rally**

Seasonal rise in [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices in the last week of the calendar year, between Christmas and New Year's Day.

**Sao Paulo Stock Exchange**

See: [Bolsa de Valores de Sao Paulo](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bovespa)

**S&P**

Standard & Poor's Corporation.

**S&P 500 Composite Index**

[Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) of 500 widely held [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) that measures the general performance of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**S&P phenomenon**

Tendency of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) newly added to the S&P composite index to rise in price due to a large number of [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) as S&P-related [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) funds add the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to their [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**S&P Rating**

[Rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) service provided by [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) that indicates the amount of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) involved with different [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Sarbanes Oxley Act of 2002**

Legislation passed largely as a result of a number of accounting scandals. Among the many features is the creation of the Public Company Accounting Oversight Board. This board is charged to: The Board shall: 1) register public accounting firms; 2) establish, or adopt, by rule, auditing, quality [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control), ethics, independence, and other standards relating to the preparation of audit [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) for issuers; (3) conduct inspections of accounting firms; (4) conduct investigations and disciplinary proceedings, and impose appropriate sanctions; (5) perform such other duties or functions as necessary or appropriate; (6) enforce compliance with the Act, the rules of the Board, professional standards, and the securities laws relating to the preparation and issuance of audit reports and the obligations and liabilities of accountants with respect thereto; (7) set the budget and manage the operations of the Board and the staff of the Board.

**Saturday night special**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Sudden attempt by one [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to [take over](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) another by making a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Saucer**

Technical chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) depicting a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) whose price has reached bottom and is moving up.

**Savings Association Insurance Fund (SAIF)**

A government organization that replaced the Federal Savings and Loan Insurance Corporation as the provider of [deposit insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deposit_insurance) for [thrift institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#thrift_institution).

**Savings bank**

An institution that primarily accepts consumer [savings deposits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_deposits) and to make home [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) loans.

**Savings bond**

A government [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued in [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) [denominations](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#denomination) from $50 to $10,000, with local and state tax-free [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and semiannually adjusted [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Savings deposits**

Accounts that pay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), typically at below-market [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), that do not have a specific [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), and that usually can be withdrawn upon demand.

**Savings element**

Used in the context of [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance), the cash value built up in a [policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy), which equals the amount of [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) paid [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of protection. This excess is invested by the insurance company, and the [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) are [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferral_option) inside the policy.

**Savings Incentive Match Plan for Employees (SIMPLE) 401(k) plan**

A [tax-deferred retirement savings plan](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_retirement_plans) similar to a conventional 401(k) plan, redesigned with specific rules to meet the needs of small employers. The Small Business Job Protection Act of 1996 created these plans for [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with fewer than 100 employees. An employee's [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) are [indexed](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation), and employers must make [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) annual matching contributions.

**Savings and loan association**

National- or state-[chartered](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) institution that accepts [savings deposits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_deposits) and invests the bulk of the funds thus received in [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Savings rate**

Personal savings as a percentage of disposable [personal income](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#personal_income).

**Scalability**

The ability to increase the size of a business while either maintaining or increasing its profit margin.

**Scale**

Payment of different rates of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on [CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) of varying [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature). A bank is said to "post a scale." [Commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) also post scales.

**Scale-enhancing**

Describes a project that is in the same [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) as the whole [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). That is, the project allows the firm to grow larger in the context of their current business rather than diversify into new businesses.

**Scale in**

Gradually [taking a position](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_a_position) in a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) over time.

**Scale order**

[Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) (sell) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that specifies the total amount to be bought (sold) and the amount to be bought (sold) at successively decreasing (increasing) price intervals; often placed in order to [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) the price.

**Scaling**

How the characteristics of an object change as you change the size of your measuring device. For a three dimensional object, it could be the volume of an object covered as you increase the radius of a covering sphere. In a times series, it could be the change in the amplitude of the time series as you increase the increment of time.

**Scalp**

To [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for small [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain). Scalping normally involves establishing and [liquidating](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) quickly, usually within the same day.

**Scalping**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) up the good [IPOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#i.p.o.).

**Scattered**

Used for listed equity securities. Unconcentrated [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Scenario analysis**

The use of [horizon analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizon_analysis) to project [total returns](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total_return) under different [reinvestment rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reinvestment_rate) and [future market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_market) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Schedule C**

Describes membership requirements and procedures of [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.), in its [bylaws](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bylaws).

**Schedule 13d**

[Disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) form required when more than 5% of any [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a publicly held [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) is [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Scheduled cash flows**

The [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) due to be paid under the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the mortgage, not including possible [prepayments](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments).

**Scorched-earth policy**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Any technique a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that has become the [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempt uses to make itself unattractive to the [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer). For example, it may agree to sell off its [crown jewels](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crown_jewel), or schedule all [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to become due immediately after a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger).

**S Corporation**

A [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that elects not to be taxed as a corporation. That is, the corporation does not directly pay federal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) on its [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings). Similar to a partnership, it passes its income or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) and other tax items on to its shareholders.

**Screen stocks**

To analyze various [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in search of stocks that meet predetermined criteria. For example, a simple value screen would sort all [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by their price-to-[book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) ratio and pick the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with the lowest ratios as candidates for the value [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Scrip**

A temporary document that represents a portion of a [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), often issued after a [stock split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_split) or [spin-off](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spinoff).

**Scripophily**

Collecting [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) for their scarcity, rather than for their value as [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Search costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) associated with locating a [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparties) to a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), including explicit costs (such as advertising) and implicit costs (such as the value of time). Related: [Information costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#information_costs).

**Seasonally adjusted**

Mathematically adjusted by moderating a [macroeconomic](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#macroeconomics) [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) (e.g., oil prices/imports) so that relative [comparisons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) can be drawn from month to month all year.

**Seasoned**

In the case of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity), having gained a reputation for quality with the [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and enjoying [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity) in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market); in the case of convertibles, having [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) for at least 90 days after [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in Europe, and thus available for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) legally to U.S. [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Seasoned datings**

Extended [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) for customers who order goods in periods other than peak seasons.

**Seasoned issue**

[Issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for which there is an existing [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Related: [Unseasoned issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unseasoned_issue).

**Seasoned new issue**

A new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) after the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) have previously been issued. A seasoned new issue of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) can be made using a [cash offer](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_offer) or a [rights offer](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering).

**Seat**

Position of [membership](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#membership_or_a_seat_on_the_exchange) on a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), bought and sold at [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices).

**SEC fee**

Small fee the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) charges to sellers of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Second market**

The [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market.

**Second pass regression**

A [cross-sectional](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cross_sectional_approach) [regression](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression) of [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) on [betas](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta). The estimated slope is the measurement of the reward for bearing [systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) during the period analyzed.

**Second-preferred stock**

[Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that has less priority in claiming [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) than another [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock).

**Second round**

Stage of [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) financing following the [start-up](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up) and first round stages and before the [mezzanine level](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mezzanine_level) stage.

**Second-to-die insurance**

[Insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that, on the death of the spouse dying last, pays a death benefit to the heirs that is designed to cover [estate taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax).

**Secondary distribution/offering**

[Public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of previously [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held by large [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), usually [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or [institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution), as distinguished from a [primary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primary_distribution), where the seller is the issuing corporation. The sale is handled off the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange), by a securities [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) or a group of firms, and the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) are usually [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at a fixed price related to the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Secondary issue**

(1) Procedure for selling [blocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [seasoned issues](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#seasoned_issue) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). (2) More generally, [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of already [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) stock.

**Secondary Offering**

An [IPO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) in which privately held [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) are sold to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Secondary market**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) after they are initially [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) in the [primary market](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primary_market). Most [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) occurs in the [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market). The [New York Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange), as well as all other [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) and the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) markets, are secondary markets. [Seasoned](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#seasoned) securities are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the secondary market.

**Secondary mortgage market**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling existing [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) loans, which are often [pooled](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) and [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) as [mortgage-backed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Secondary stocks**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with smaller [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization), less quality and more [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) than [blue chip](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#blue_chip_company) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that behave differently than larger corporations' [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Second mortgage lending**

[Loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [secured](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt) by [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) previously pledged in a first [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage).

**Secert Ballot**

In the context of corporate governance, this is also known as confidential voting. An independent third party or employees sworn to secrecy are used to count proxy votes, and the [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) usually agrees not to look at individual proxy cards. This can help eliminate potential conflicts of interest for fiduciaries voting shares on behalf of others, or can reduce pressure by management on shareholder-employees or shareholder-partners.

**Section 16(a)**

Provision of the Securities Exchange Act of 1934 that requires [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) insiders to file periodic [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) [disclosing](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) their holdings and changes in beneficial ownership of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [equity securities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Section 16(b)**

Provision of the Securities Exchange Act of 1934 that requires that any [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) realized by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) insider from the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), or sale and purchase, of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) securities within a period of less than six months must be returned to the company. It is also known as the "short-swing profit" rule.

**Section 83(b) Election**

A tax filing within 30 days of grant that allows employees granted stock to pay taxes on the [grant](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grant) date instead of on the date restrictions lapse. If an employee files the election, taxes are based on the fair market value on the grant date, with any future appreciation taxed as a [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain). If the employee does not file an election, taxes are based on the fair market value on the date the restrictions lapse, which will be higher assuming the stock has appreciated in value.

**Section 423**

The government [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) responsible for the supervision and regulation of the securities [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) and markets, as well as public securities offerings and the ongoing [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) obligations of public [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Section 482**

US Department of Treasury regulations governing [transfer prices](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_price).

**Sector**

Used to characterize a group of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are similar with respect to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), type, [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings), [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry), and/or [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon).

**Sector allocation**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) of certain proportions of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) in certain [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector). See: [Industry allocation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry_allocation).

**Sector diversification**

Constituting of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) in each major [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) group.

**Sector fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that concentrates on a relatively narrow [market sector](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_sectors). These funds can experience higher [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) price [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) than some [diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) funds because [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) funds are subject to [common market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_market) forces specific to a given sector.

**Sector rotation**

An active asset management [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) certain [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector), that tactically overweights and underweights depending on expected performance. Sometimes called [rotation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rotation).

**Secular**

[Long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) time frame (10-50 years or more).

**Secured bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) backed by the pledge of [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral), a [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage), or other [lien](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lien), as opposed to an unsecured [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), called a [debenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture_bond) .

**Secured debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that has first claim on specified [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the event of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**securities**

Paper [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) (definitive securities) or electronic records ([book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book)-entry securities) evidencing ownership of equity (stocks) or debt obligations (bonds).

**Securities Act of 1933**

First law designed to regulate [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), requiring [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure).

**Securities Acts Amendments of 1975**

Legislation to encourage the establishment of a [national market](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_market) system together with a system for nationwide clearing and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Securities analysts**

Related: [Financial analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_analysts)

**Securities and commodities exchanges**

[Exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) on which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) by members for their own accounts and for the accounts of customers.

**Securities & Exchange Commission (SEC)**

A federal [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) that regulates the US [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market). The SEC also oversees the [securities industry](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_industry_association) and promotes full [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure) in order to protect the [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) against malpractice in the securities markets.

**Securities and Exchange Commission Rules**

Rules enacted by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) to assist in the regulation of US [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Securities Exchange Act of 1934**

Legislation that created the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.), outlawing dishonest practices in the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Securities Exchange of Thailand (SET)**

The only [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) in Thailand, based in Bangkok.

**Securities Industry Association (SIA)**

An association of [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who sell taxable [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), which lobbies the government, records [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend), and keeps records of [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Securities Industry Committee on Arbitration (SICA)**

A private group that provides mediation services in case of customer complaints against [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Securities Investor Protection Corporation (SIPC)**

A nonprofit [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that insures customers' [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) held by member brokerage firms against the failure of those firms.

**Securities loan**

The [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) between [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), often to cover a client's [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale); or a loan secured by [marketable securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marketable_security).

**Securities markets**

Organized [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) plus [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Securitization**

Creating a more or less standard [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) such as the [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [pass-through security](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pass_through_securities), by [pooling](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to back the instrument. Also refers to the replacement of nonmarketable loans and/or [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) provided by [financial intermediaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries) with negotiable securities [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**Security**

Piece of paper that proves ownership of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and other [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Security characteristic line**

A plot on a graph of the [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) on a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) over the [risk-free rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_rate) as a function of the [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) on the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). The slope of this line is the security's [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta).

**Security deposit (initial)**

Synonymous with the term [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin). A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) amount that must be deposited with the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) for each [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) as a [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) of fulfillment of the [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract). It is not considered as part payment or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase). Related: [Margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin).

**Security deposit (maintenance)**

Related: [Maintenance margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maintenance_margin_requirement)

**Security Industry Automated Corporation (SIAC)**

Entity that [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) automated [DOT](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#d.o.t.) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order).

**Security interest**

The [creditor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) right to take property or a portion of property offered as security.

**Security market line**

Line representing the relationship between [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) and [market risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_risk) or [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta). The slope of this line is the [risk premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_premium) for beta.

**Security Market Line**

The linear relationship between expected [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and [betas](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) posited by the [Capital Asset Pricing Model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Security market plane**

A plane that shows the relationship between [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) and the [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) coefficient of more than one [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Security ratings**

Commercial [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) agencies' assessment of the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) and [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) risk of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Security selection**

See: [Security selection decision](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_selection_decision)

**Security selection decision**

Choosing the particular [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or other investment instruments to include in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Seed money**

The first [contribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) by a [venture capitalist](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) toward the financing of a new business, often using a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock). See: [Mezzanine level](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mezzanine_level) and [second round](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#second_round).

**Seek a market**

Search for a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or seller.

**Segmented Market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which there are impediments to the free flow of labor, [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital), and information.

**Segregation of securities**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rules to dictate how customers' [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) may be used by [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) in [broker loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker_loan_rate).

**Seigniorage**

The amount of goods and services that the government obtains by printing new money in a given period. Often we consider this in real terms, by dividing the new money by the price level.

**Select ten portfolio**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) for one year the ten [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) with the highest [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Selective hedging**

Protecting [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) during some time periods and not during others.

**Selected dealer agreement**

The set of rules governing the [selling group](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_group) in an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting).

**Self-amortizing mortgage**

[Mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) whose entire [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) is paid off in a specified period of time with regular [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments.

**Self-directed IRA**

An [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) that the account holder can after appointing a custodian manager to carry out [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) instructions.

**Self-employed income**

[Taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income) of a person involved in a [sole proprietorship](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sole_proprietorship) or other sort of free-lance work.

**Self-employment tax**

A tax self-employed people must pay to qualify them to receive [Social Security benefits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#social_security_benefits) at [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement).

**Self-liquidating loan**

[Loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets). The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of the current assets provides the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to repay the loan.

**Self-regulatory organization (SRO)**

Organizations that enforce fair, ethical, and efficient practices in the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) industries, including all national [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) and the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.).

**Self-selection**

Consequence of a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that induces only one group to participate.

**Self-Similar**

When small parts of an object are qualitatively the same, or similar to the whole object. In certain deterministic [fractals](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal), like the Sierpinski Triangle, small pieces look the same as the entire object. In random [fractals](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal), small increments of time will be statistically similar to larger increments of time. See: [Fractal](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal).

**Self-supporting debt**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) sold to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) a project that will produce enough revenue through tolls or other charges to [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) . See: [revenue bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revenue_bond).

**Self Tender**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back a certain percentage of its own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) through a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Self-tender offer**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that [tenders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer) for its own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Sell the book**

Used for listed equity securities. [Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) by the holder of a large quantity of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to sell all that can be absorbed at the current [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) price. The term derives from the [specialist's book](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) - the record of all the [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell orders [members](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) have placed in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) one handles. In this scenario, the buyers potentially include those in the [specialist's book](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist), the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) for its own account, and [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Sell hedge**

Related: [short hedge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_hedge).

**Sell limit order**

Conditional trading [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that indicates that a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) may be sold at the designated price or higher. Related: [Buy limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_limit_order).

**Sell off**

[Sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) under pressure. See: [Dumping](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dumping).

**Sell order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that may take many different forms by an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) to sell a particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), or other [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold).

**Sell out**

[Liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) of a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) after a customer has failed to bring an account to a required level by producing additional [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) after a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).   
The selling of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) when a customer fails to pay for them.   
The complete [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of all [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Sell plus order**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) to sell a [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) amount of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) provided that the price to be obtained is not lower than the last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) if the last sale was a [plus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus), or [zero plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_plus_tick), and is not lower than the last sale plus the minimum fractional change in the stock if the last sale was a minimum or zero minimum [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick). (In a [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order), sale cannot be lower than the limit, regardless of tick.)

**Sell price**

See: [Redemption price](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption_price)

**Sell-side analyst**

A [financial analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_analysts) who works for a brokerage firm and whose recommendations are passed on to the brokerage firm's customers. Also called [Wall Street analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street_analyst).

**Seller financing**

[Funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funding) a [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by a seller's [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), the buyer takes full title to the property when the loan is fully repaid.

**Seller's market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which demand exceeds supply. As a result, the seller can dictate the price and the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Seller's option**

[Delayed settlement/delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delayed_settlement_delivery) in a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Seller's points**

In reference to a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), seller's points consist of a [lump sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) paid by the seller to the [buyer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) to reduce the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of the loan to the buyer. This payment is either required by the creditor or volunteered by the seller, usually in a loan to buy [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate). Generally, one point equals one percent of the loan amount.

**Selling climax**

A sudden [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) in [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices as sellers dump their holdings.

**Selling concession**

The [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) offer the selling group on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Selling dividends**

Inducing a prospective customer to[buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in order to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from a [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) scheduled in the near future.

**Selling, general, and administrative (SG&A) expenses**

[Expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) such as salespersons' [salaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) and [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), advertising and promotion, travel and entertainment, office payroll and expenses, and executives' salaries.

**Selling on the good news**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) of selling [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) shortly after a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) announces good news and the stock price rises. [Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) believe that the price is as high as it can go and is on the brink of going down.

**Selling group**

All banks involved in selling or marketing a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Selling short**

Selling a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) not actually owned. If an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) thinks the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is going down, the investor could [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) the stock from a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and sell it. Eventually, the investor must [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the stock back on the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). For instance, you borrow 1000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of XYZ on July 1 and sell it for $8 per share. Then, on Aug. 1, you purchase 1000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of XYZ at $7 per share. You've made $1000 (less [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) and other fees) by [selling short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_short).

**Selling short against the box**

[Selling short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_short) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is actually owned by the seller but held [in the box](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_box), meaning it is held in safekeeping. The seller [borrows](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) needed to cover as the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [in the box](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_box) may be inaccessible, or the seller may not wish to disclose ownership. The traditional motive for this transaction was to defer capital gains taxes. However, this method became infeasible under the Taxpayer Relief Act of 1997.

**Selling the spread**

A [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) whose [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to be sold is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a higher [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) than the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) to be bought.

**Selling Syndicate**

A group of [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) that issues a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) them from the issuing firm and reselling them to a group of smaller brokerage firms for eventual [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to individual [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Semistrong-form efficiency**

A form of [pricing efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pricing_efficiency) that [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) the price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) fully reflects all public information (including, but not limited to, historical price and trading patterns). Compare [weak-form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weak_form_efficiency) and [strong-form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strong_form_efficiency).

**"Send it in"**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) language: "I bought your [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) - 'send it in' (and possibly more)."

**Senior debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) whose [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) in the event of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), require it to be repaid before [subordinated debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debt) receives any payment.

**Senior mortgage bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that, in the event of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), will be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) before any other [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are repaid.

**Senior refunding**

Replacement by the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with 5-to 12-year [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) with [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of 15-year or longer [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), in order to delay, reduce, or consolidate payment.

**Senior security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that, in the event of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), will be [redeemed](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) before any other [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Seniority**

The order of repayment. In the event of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), [senior debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#senior_debt) must be repaid before [subordinated debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debt) is repaid.

**Sensitive market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that reacts to a great extent to good or bad news.

**Sensitivity analysis**

Analysis of the effect on a project's[profitability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) of changes in [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost), and so on.

**Sentiment indicators**

The general feeling of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) about the state of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), such as whether they are [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullish) or [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bearish).

**Separate customer**

Method of allocating insurance by the [Securities Investor Protection Corporation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_investor_protection_corporation). Each account that is under the name of a different person or group of people is entitled to maximum protection.

**Separate tax returns**

Tax returns of married persons who choose to file their returns individually, usually because this approach produces lower overall tax payments.

**Separate Trading of Registered Interest and Principal Securities (STRIPS)**

[Long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) divided into [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest)-paying components, which may be [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) and sold in amounts as small as $1000. STRIPS are sold at auction at a minimum [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par) amount, varying for each [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). The amount is an arithmetic function of the issue's [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Separation property**

The property that [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) choice can be divided into two independent tasks: (1) Determination of the optimal [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), which is a purely mathematical problem, and (2) the personal choice of the best mix of the optimal risky portfolio and the [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset), which depends on a person's degree of [risk aversion](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_averse).

**Separation theorem**

Theory that the value of an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) to an individual is not dependent on consumption preferences. That is, investors will want to accept or reject the same investment projects by using the [NPV rule](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value_rule), regardless of personal preference.

**Serial bonds**

[Corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) arranged so that specified [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amounts become due on specified dates. Related: [Term bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_bonds).

**Serial covariance**

The [covariance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covariance) between a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) and the [lagged value](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lag) of the variable; the same as [autocorrelation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autocorrelation).

**Serial entrepreneur**

Business person that successfully starts (does not kill) a number of different businesses.

**Serial redemption**

The [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) of a [serial bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds).

**Series**

Options: All [option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) of the same [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) that also have the same [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date), and [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price). Stocks: [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that have common characteristics, such as rights to ownership and [voting](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), or [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value). In the case of many foreign shares, one series may be owned only by citizens of the country in which the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is registered.

**Series bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that may be [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in several [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) under the same [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture) document.

**Series E bond**

A local and state tax-free [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued by the U.S. government from 1941 to 1979, which was then replaced by [Series HH bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series_hh_bond).

**Series EE bond**

See: [Savings bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond)

**Series HH bond**

See: [Savings bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_bond)

**Service charge**

A component of some [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) charges, such as the fee for triggering an overdraft [checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) account into use.

**Set-aside**

A percentage of a [municipal](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) or [corporate bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) that is allocated for handling by a minority-owned [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Set of contracts perspective**

View of [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) as a set of contracting relationships among individuals who have conflicting objectives, such as [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) or [managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager). The [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) is a legal construct that serves as the [nexus](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nexus) for the contracting relationships.

**Set up**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). [Arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) involving going [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) the convertible and [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) a certain percentage of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) common. Antithesis of [Chinese hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chinese_hedge).

**Setoff**

[Money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) held on behalf of a [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) that may be applied to repay the [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), but usually without the permission of the borrower.

**Settle price**

An [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of the [trading prices](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_price) in the [futures market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_market) during the last few minutes of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Settlement**

When payment is made for a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Settlement date**

The date on which payment is made to settle a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). For [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) traded on US [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), settlement is currently three business days after the trade. For [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), settlement usually occurs in the US the day following the trade. In some [regional markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges), foreign [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) may require months to settle.

**Settlement options**

The various possibilities open to a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) under a [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) as to how the benefit will be paid out.

**Settlement price**

A figure determined by the [closing range](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_range) that is used to calculate [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) and [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) accounts. Settlement prices are used to determine gains, losses, [margin calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call), and invoice prices for deliveries. Related: [Closing range](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_range).

**Settlement rate**

The rate suggested in [Financial Accounting Standards Board (FASB) 87](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_accounting_standards_board) for [discounting](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) the [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of a [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan). The rate at which the pension benefits could be effectively settled if the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) sponsoring the pension plan wishes to terminate its pension obligation.

**Settlement risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that one party will [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) and the [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) will not be able to pay and vice versa.

**Severally but not jointly**

An agreement between members of an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) group [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) (severally), but not to assume joint [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) for [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) left unsold by other members.

**Severance**

A settlement received after being released from a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). In the context of corporate governance, an agreement that assures high-level executives of their postions or some [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) and are not contingent upon a change in [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control).

**Segmented market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that is partially or wholly isolated from other [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by one or more market imperfections.

**Shadow calendar**

A backlog of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) registered with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.), awaiting the determination of an [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) date.

**Shadow stock**

First, a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) may create a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that strips out the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) wide movements for the purpose of rewarding managers. That is, the [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) might have done a great job - but the traded stock plummets because the market as a whole plummets. A second interpretation of shadow stock is a [phantom stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phantom_stock_plan) that is created by a private company (i.e. that does not have stock traded either on [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) or [over the counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)) again for the purpose of performance evaluation and rewards.

**Shadows**

The thin lines above and below the real body on a candlestick line.

**Shakeout**

A dramatic change in [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) conditions that forces [speculators](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) to sell their [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position), often at a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Sham**

A business [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), such as a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership), that is entered into for the sake of avoiding tax.

**Shanghai Stock Exchange**

One of two major securities markets in China.

**Share broker**

A [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who charges per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), and reduces the per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) charge as the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) increases, as opposed to a [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who charges a percentage of the dollar amount of the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Share repurchase**

Program by which a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back its own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). It is usually done when shares are undervalued. Since repurchase reduces the number of shares [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) and thus increases [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) per share, it tends to elevate the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of the remaining shares held by [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder).

**Shared Appreciation Mortgage (SAM)**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) with a low rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), offset by giving the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) some portion of the [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) in the value of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) property.

**Shareholder**

Person or entity that owns [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Shareholders' equity**

This is a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) total [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability). A [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth) is the same thing.

**Shareholders' letter**

A section of an [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) where one can find general overall discussion by [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of successful and failed [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy). Provides guidance for looking at specific parts of the [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report).

**Shares**

[Certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) or [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) entries representing ownership in a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or similar entity.

**Shares authorized**

The maximum number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) allowed in the articles of incorporation, which may be changed only by a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) vote. See: [Issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) and [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).

**Shark repellant**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Examples are [golden parachutes](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#golden_parachute), [poison pills](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#poison_pill), [safe harbor](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#safe_harbor), and [scorched-earth policy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#scorched_earth_policy). [Porcupine provision](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#porcupine_provision). Amendment to [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) intended to protect it against [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Shark watcher**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) specializing in the early detection of [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) activity. Such a firm, whose primary business is usually the solicitation of [proxies](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) for client [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), monitors [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) patterns in a client's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and attempts to determine the identity of parties [accumulating](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Sharpe benchmark**

A statistically created [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) that adjusts for a manager's [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index)-like tendencies. Named after William Sharpe, Nobel Laureate, and developer of the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Sharpe ratio**

A measure of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) relative to the total [variability](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) of the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio). Related: [Treynor index](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treynor_index). Named after William Sharpe, Nobel Laureate, and developer of the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model).

**Shelf offering**

[Offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) of [registered securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_security) covered by a [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) whose [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) is not [underwritten](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) on a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) commitment basis. The [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) may be sold in one [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) or in small amounts from time to time in [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). See: [Rule 415](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_415).

**Shelf registration**

A procedure that allows [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to file one [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) covering several [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) [Rule 415](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_415), adopted in the 1980s, allows a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to comply with [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company) requirements up to two years prior to a [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) of securities. With the registration "on the shelf," the corporation, by simply updating regularly filed [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report), [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly), and related reports to the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission), can go to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as conditions become favorable with a minimum of administrative preparation and [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**Shell corporation**

An incorporated [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with no significant [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or operations, often formed to obtain financing before beginning actual business, or as a front [tax evasion](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_evasion).

**Shenzhen Stock Exchange**

One of two major securities markets in China.

**Shipper's Export Declaration (SED)**

Document required by the U.S. Department of Commerce for exports of certain [controlled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) items, and/or shipments to certain countries, and/or shipments anywhere that exceed certain dollar amounts. This document is used to monitor shipments of controlled goods.

**Shipping Documents**

A generic term for the various typesof forms required for overseas shipments, such as commercial invoices, transport documents, packing lists, origin [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), etc.

**Shirking**

The tendency to do less work when the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is smaller. Owners may have more incentive to shirk if they [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) as opposed to [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt), because they retain less ownership interest in the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and therefore may receive a smaller return. Thus, shirking is considered an [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) [cost of equity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_equity).

**Shock absorbers**

See: [Circuit breakers](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#circuit_breakers)

**Shogun bond**

Dollar [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) issued in Japan by a nonresident.

**Shootout**

[Venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) jargon. Refers to two or more [venture capital firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) fighting for the [startup](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up).

**Shop**

[Wall Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street) slang for a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Shopped stock**

Sell [inquiry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inquiry) that has been seen by or shown to other [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) before coming to an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank).

**Shopping**

Seeking to obtain the best [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) available by calling a number of [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) and/or [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Short**

One who has sold a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) to establish a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) and who has not yet closed out this position through an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase); the opposite of a [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position). Related: [Long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long).

**Short against the box**

A [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) of a stock is where the seller actually owns the stock, but does not want to close out the [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Short Bias**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) where part or all of the fund consists of short [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale).

**Short bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) (not much time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)) [current maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_maturity).

**Short book**

See: [Unmatched book](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unmatched_book).

**Short coupon**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) payment covering less than six-months' [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), because the original [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) date is less than six months from the first scheduled [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payment. A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with a short time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), usually two years or less.

**Short covering**

Used in the context of general equities. Actual [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by a [short seller](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) to replace those [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) at the time of a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Short exempt**

Used for listed equity securities. A special [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) situation where a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) is allowed on a minustick. The owners of a convertible trading at [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity) can sell the equivalent amount of common [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) on a [minus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus_tick), assuming they have the firm intention to convert.

**Short hedge**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) to eliminate or lessen the possible decline in value of an approximately equal amount of the actual [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or [physical commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity). Related: [Long hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_hedge).

**Short interest**

Total number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) and that have not been repurchased to close out the [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position). Usually, investors sell [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from price declines. As a result, the short interest is often an indicator of the amount of pessimism in the market about a particular security, although there are other reasons to [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) that are not related to pessimism. For example, [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) for [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) and [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) as well as [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) may involve [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Short interest theory**

The theory that a large [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) will precede a rise in the [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices), because the [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) must eventually be covered by [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Short-Form Registration**

A procedure that allows a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to condense its [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) and [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus) by referencing [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) data already on file with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Short position**

Occurs when a person sells [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) he or she does not yet own. [Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) must be [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), before the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), to make "good [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery)" to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). Eventually, the shares must be bought back to close out the [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction). This technique is used when an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) believes the stock price will [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop).

**Short ratio(or short interest ratio)**

Number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) divided by average daily [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of the security (measured over 30 days or 90 days). There are various interpretations of this ratio. When people short, it is usually (but not always) because they are pessimistic about the security's future performance. Shorting involves [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) at at some point however. Hence, some would interpret a high short ratio as an indicator that there will be some buying pressure on the security that would increase its price.

**Short-run operating activities**

Events and decisions concerning the [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), such as how much [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) to [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) and whether to offer [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) or [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) to customers.

**Short sale**

Selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that the seller does not own but is committed to repurchasing eventually. It is used to [capitalize](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalized) on an expected decline in the security's price.

**Short-sale rule**

An [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule requiring that [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) be made only in a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) that is moving upward; this means either on an [uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade) from the last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), or showing no downward movement.

**Short selling**

Establishing a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) by selling a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) one does not own in anticipation of the price of that security falling.

**Short settlement**

[Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) settlement made prior to the standard five-day period due to customer request.

**Short-short test**

A repealed [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) restriction, that used to limit [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), which three months, to 30% of [gross income](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_income). The penalty for exceeding this limit would be the loss of certain tax-free benefits.

**Short squeeze**

When a lack of supply tends to force [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) upward. In particular, when prices of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) start to move up sharply and many [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) with [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) are forced to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) in order to cover their [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) and prevent (limit) [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). This sudden surge of buying leads to even higher prices, further aggravating the losses of [short sellers](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) who have not covered their positions.

**Short straddle**

A [straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle) involves both [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). In short straddle one [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and one [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) are sold.

**Short-term capital gain**

A [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) on the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) share that has been held for one year or less. A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) is taxed as ordinary income.

**Short-term interest rates**

Interest rates on [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) contracts-or debt instruments such as Treasury bills, bank certificates of deposit or commerical paper-having maturities of less than one year. Often called money market rates.

**Short-term reserves**

[Investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in interest-bearing bank deposits, [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), [U.S. Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#us_treasury_bill), and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Short tender**

Practice prohibited by [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) that involves the use of [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to respond to a [tender](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender) offer.

**Short-term**

Any [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of one year or less.

**Short-term bond fund**

A bond mutual fund [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) to intermediate-term [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that have [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of three to five years.

**Short-term debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation), recorded as current [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), requiring payment within the year.

**Short-term financial plan**

A [financial plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_plan) that covers the coming [fiscal year](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiscal_year).

**Short-term gain (or loss)**

A [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) realized from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held for less than a year that is taxed at normal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) rates if the [net](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net) total is positive.

**Short-term investment services**

Services that assist [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in making [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Short-term solvency ratios**

Ratios used to judge the adequacy of [liquid assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquid_asset) for meeting [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) obligations as they come due, including (1) the [current ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_ratio), (2) the [acid test ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acid_test_ratio), (3) the [inventory turnover](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory_turnover) ratio, and (4) the [accounts receivable turnover](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_receivable_turnover) ratio.

**Short-term tax exempts**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by states, municipalities, and quesi-government entities such as local housing and urban renewal agencies.

**Short-term trend**

Erratic price movements that last less than three weeks.

**Shortage cost**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that fall with increases in the level of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets).

**Shortfall risk**

The risk of falling [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) of any [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) target.

**Show me buyer/seller**

Used in the context of general equities. Customer who has not placed a [firm order](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) but has requested that the salesperson propose available stock for [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase), along with the asking/[bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) price. See: [Bidding buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bidding_buyer).

**Show stopper**

A legal barrier, such as a [scorched-earth policy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#scorched_earth_policy) or [shark repellant](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shark_repellant) system, that [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) use to prevent a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover).

**Show and tell list**

Used in the context of general equities. [Block list](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_list) which is full of real customer [indications](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) (rather than [profile](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profile_buyer_seller)).

**Shrinkage**

Discrepancy between a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) actual [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory) and its recorded inventory due to theft, deterioration, loss, or clerical problems.

**Shut out the book**

Used for listed equity securities. Exclude a [public bid or offer](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) from participation in a [print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print).

**Side effects**

Effects of a proposed project on other parts of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Side-by-side trading**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on the same [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Sidelines**

Hypothetical position referring to noninvolvement in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock); merely watching.

**Sideways market**

See: [Horizontal price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement)

**Sight deposit account**

Similar to a demand deposit. Funds in a sight account can be transferred quickly without restriction to another account or converted into cash. Term is mainly used in Europe

**Sight draft**

Demand for immediate payment.

**Sight Letter of Credit**

A [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) made payable to a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) upon presentation to the opener of conforming documents.

**Signal**

To convey information through a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) actions. The more costly it is to provide a signal, the more credibility it has. For example, to call a press conference and tell everyone that the firm's prospects have improved is less effective than saying the same thing and raising the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Signaling approach**

Notion that [insiders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) have information that the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) does not have, and that the choice of [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) by [insiders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insiders) can signal information to outsiders and change the value of the firm. This theory is also called the [asymmetric information](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asymmetric_information) approach.

**Signaling approach (on dividend policy)**

The argument that [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) changes are important [signals](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#signal) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) about changes in [management's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) expectation about future [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Signature guarantee**

The authentication of a signature in the form of a stamp, seal, or written confirmation by a bank or member of a domestic [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) (or other acceptable guarantor). A notary public cannot provide a signature [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee). A signature guarantee is a common requirement when [transferring](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) or [redeeming](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or changing the ownership of an account.

**Signature loan**

A good faith [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that is unsecured and requires only the [borrower's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) signature on the loan application.

**Signatures on Proxies**

The basic rule of acceptability is that if the signature reads as the [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) is printed, it is acceptable. If an individual signs on behalf of another individual and states a legal representation, it is acceptable. Examples: executor, guardian, power of attorney; but not husband, wife, next of kin, etc. On corporate [registrations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_company), a manual signature in the name of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) is acceptable. A facsimile signature is also acceptable, but a rubber-stamp signature with a signature line is acceptable only if signed on that line. With joint tenancy, one signature is sufficient, as in the case of one [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) signing for two or more.

**Significant influence**

The [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of a large portion of the [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), usually at least 20%, which gives the holder a significant amount of [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over the corporation. This degree of holding must be recorded in a firm's [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement).

**Significant order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell a large enough quantity of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that the price of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) may be affected. [Institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors) usually spread out such an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) over a few days or weeks to avoid adverse pressures on the buy or sell price.

**Significant order imbalance**

A large number of [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that cause an abnormally wide [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offer prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer_price), and often causes the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) to halt the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) until significant balance has been reestablished.

**Silent partner**

A [partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partner) in a business who has no role in [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) but [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), tax responsibility, and [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Silver Parachutes**

These provisions are similar to Golden Parachutes in that they provide severance payments upon a change in corporate [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control), but unlike Golden Parachutes, a large number of a firm's employees are eligible for these benefits.

**Single-buyer policy**

[Ex-Im Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#export_import_bank) practice allows the exporter to insure certain [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) selectively.

**Single European Act**

Act intended to eliminate barriers on trade and [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) flows between and among European countries.

**Simple compound growth method**

Calculating a [growth rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates) by relating [terminal value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#terminal_value) to initial value and assuming a constant percentage [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) rate of growth between the two values.

**Simple interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) calculated as a simple percentage of the original [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) amount. Compare to [compound interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compound_interest).

**Simple IRA**

A [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) plan for [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) benefits provided by some small [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) with no more than 100 employees.

**Simple linear regression**

A [regression analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regression_analysis) between only two [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable), one [dependent](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dependent) and the other explanatory.

**Simple linear trend model**

An extrapolative statistical model that asserts that [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) have a base level and grow at a constant amount each period.

**Simple moving average**

The [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean), calculated at any time over a past period of fixed length.

**Simple prospect**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_decisions) opportunity in which only two outcomes are possible.

**Simple rate of return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) from [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) figured by dividing income plus [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) by the amount of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) invested. The effect of [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding) is not taken into account.

**Simplified Employee Pension (SEP) plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) in which both the employee and the employer [contribute](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) to an [individual retirement account](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account). Also available to the self-employed.

**Simulation**

The use of a mathematical [model](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#modeling) to imitate a situation many times in order to estimate the likelihood of various possible outcomes. See: [Monte Carlo simulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#monte_carlo_simulation).

**Singapore International Monetary Exchange (SIMEX)**

A leading [futures and options](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_option) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in Singapore.

**Single-country fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [invests](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in individual countries outside the United States.

**Single-factor model**

A model of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that acknowledges only one common [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor). The single factor is usually the [market return](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_return). See: [Factor model](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor_model).

**Single-index model**

A model of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) that decomposes influences on returns into a [systematic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor), as measured by the return on the broad [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index), and [firm specific factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk). Related: [Market Model](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_model)

**Single life annuity**

An [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) covering one person. A straight life annuity provides payments until death, while a [life annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_annuity) with a guaranteed period provides payments until death or continues payments to a [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) for a guaranteed term, such as ten years.

**Single option**

A single [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) or [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), as opposed to a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) or [straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle), which involves multiple [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Single-payment bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that makes only one payment of [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Single-Premium Deferred Annuity (SPDA)**

An [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account)-like [annuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuity) into which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) makes a [lump-sum](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lump_sum) payment that is invested in either a fixed-[return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) or a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable)-[return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio), which is taxed only when [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) are taken.

**Single-premium life insurance**

A [whole life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#whole_life_insurance) policy requiring one [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) payment, which accrues [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) value much more quickly than a policy paid in installments.

**Single-state municipal bond fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) only in government [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) within a single state, with state tax-free [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), but taxed [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain).

**Sinker**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments coming from the [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) of a [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund).

**Sinking fund**

A fund to which [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) is added on a regular basis that is used to ensure [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) confidence that promised payments will be made and that is used to [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Sinking fund requirement**

A condition included in some corporate [bond indentures](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture) that requires the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) to [retire](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) a specified portion of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) each year. Any [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) due at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) is called the [balloon maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balloon_maturity).

**Sit tight**

Directive from the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to the customer to be patient, emphasizing that one's piece of business will be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Size**

Refers to the magnitude of an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), or a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Large as in the size of an [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), the size of an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), or the size of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Size is relative from [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to market and [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to security. "I can [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) size at 102-22," means that a [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) can buy a significant amount at 102-22. Small is <10,000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares). Medium is 15,000-25,000 shares. Good is 50,000 shares. Size is 100,000 shares. Good six-figure size is 200,000-300,000 shares. Multiple six-figure size is >300,000 shares. Size of the market is actual number of shares represented in one's market, or [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings); unless specified, assumed to be at least 500 to 1000 shares, depending on the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Size out the book**

Overt action to exclude a public [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or offer from participation in a [print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print) through [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) a larger size in the [book](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book). Can never size out a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order). See: [Priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority), [shut out the book](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shut_out_the_book).

**Skewed distribution**

[Probability distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability_distribution) in which an unequal number of observations lie below (negative skew) or above (positive [skew](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#skewness)) the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean).

**Skewness**

Negative skewness means there is a substantial probability of a big negative [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). Positive skewness means that there is a greater-than-normal probability of a big positive [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return).

**Skill**

The ability to accurately forecast [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). We measure skill using the [information coefficient](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#information_coefficient).

**Skip-day settlement**

[Settling](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) one business day beyond what is normal.

**Skip-payment privilege**

A [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) clause giving [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) the right to skip payments if they are ahead of schedule.

**Skort-Swing Transaction**

Any [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), or sale and purchase, of the issuer's [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) by an insider within a period of less than six months, See: [Section 16(b)](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#section_16b) above.

**SLD last sale**

Shortened version of "sold last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale)," which shows up on the [consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape) when a large change (one point for lower priced [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and two points for higher-priced [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security)) occurs between [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Sleeper**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in which there is little [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) interest but that has significant potential to gain in price once its attractions are recognized. Antithesis of [high flyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#high_flyer).

**Sleeping beauty**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Potential [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) that has not yet been approached by an [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer). Such a company usually has particularly attractive features, such as a large amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash), or undervalued [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) or other [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Slippage**

The difference between estimated [transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs) and actual transactions costs. The difference usually represents revisions to price difference or [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) and [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost).

**Slump**

A temporary fall in performance, often describing consistently falling [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices for several weeks or months.

**Small business policy**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) coverage available to new exporters and small businesses.

**Small-cap**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with a small [capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization), meaning a total [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) value of less than $500 million.

**Small-capitalization (small-cap) fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that invests primarily in [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) is less than $1 billion. [Small-cap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#small_cap) stocks historically have been more volatile than large-cap stocks, and often perform differently from the overall [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Small-capitalization (small cap) stocks**

The [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) whose [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) is less than $1 billion. Small-cap companies tend to grow faster than large-cap companies and typically use any [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) for [expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion) rather to pay [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). They also are more volatile than large-cap companies, and have a higher failure rate.

**Small-firm effect**

The tendency of small [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) (in terms of total [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)) to outperform the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) (consisting of both large and small firms).

**Small investor**

An individual person [investing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in small quantities of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). This group of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) makes up a minimal fraction of total [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) ownership.

**Small issues exemption**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that involve less than $1.5 million are not required to file a [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.). Instead, they are governed by [Regulation A](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulation_a), for which only a brief [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) statement is needed.

**Small Order Execution System (SOES)**

Three-tiered system of automatic [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) at the best price. Size is either 200, 500, or, most often, 1000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Smart money**

[Investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who make consistent [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), regardless of the investing environment, by making wise, educated moves.

**Smidge**

Small amount of price, usually +/- 1/8 or 1/4.

**Smithsonian Agreement**

A revision to the [Bretton Woods](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bretton_woods_agreement) [international monetary system](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_monetary_system) that was signed at the Smithsonian Institution in Washington, D.C., in December 1971. Included were a new set of [par values](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value), widened bands to +/- 2.25% of par, and an increase in the official value of gold to US$38.00 per ounce.

**Snake**

Arrangement established in 1972, that ties European [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to each other within specified limits.

**Snowballing**

Used in the context of general equities. Process by which the [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of [stop orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) in a declining or [advancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advance) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) causes further downward or upward pressure on [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices), thus triggering more stop orders and more price pressure, and so on.

**Social Security benefits**

Monthly government payments to [retired](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) workers or their families who have paid [Social Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#social_security_benefits) taxes for a total of 40 [quarters](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) or 10 years.

**Social Security Disability Income Insurance**

Program financed by the Social Security tax to provide assistance to disabled individuals with disabilities expected to last at least one year, to [compensate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for lost income.

**Socially conscious mutual fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that does not [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that have interests in socially unacceptable [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or produce harmful products or by-products, such as high levels of environmental pollution.

**Society for Worldwide Interbank Financial Telecommunications (SWIFT)**

A dedicated computer network to support funds [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) messages internationally between over 900 [member banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_bank) world-wide.

**"Soft" capital rationing**

Constraints on spending that under certain circumstances can be violated or even viewed as constituting targets rather than absolute limits.

**Soft currency**

The [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) of a country that is expected to [drop](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) in value relative to other currencies.

**Soft dollars**

The value of research services that brokerage houses supply to [investment managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_manager) "free of charge" in exchange for the [investment manager's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_manager) business [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Soft landing**

A term describing a growth rate high enough to keep the economy out of [recession](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recession), but also slow enough to prevent high [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) and [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Soft market**

A [buyer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which supply exceeds demand, causing little [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity and wide [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)-[ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Soft spot**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or groups of stocks that remain weak in a strong [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Softs**

Tropical [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) such as coffee, sugar, and cocoa.

**Sold away**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Having sold [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to another [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) before making the present [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer).

**Sold-out market**

Unavailability of a [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) in a particular [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) or [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date) because of [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [executions](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) and limited [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings).

**Sole proprietorship**

A business owned by a single individual. A sole proprietor pays no corporate [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) but has unlimited [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) for business [debts](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Solvency**

Ability to meet [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation).

**Sour bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that has [defaulted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) or [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) payments, and will thus [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a large [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) and a poor [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating).

**Source of funds seller**

Customer seller of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) for the purpose of raising [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) for other [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase). Such a seller will sell only at advantageous prices, and not [aggressively](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively).

**Sources and applications of funds statement**

See: [Statement of cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_cash_flows)

**South African Futures Exchange (SAFEX)**

Electronic [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) based in South Africa.

**Sovereign risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that a [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) will impose [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [regulations](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that will reduce or negate the value of foreign exchange [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). Also refers to the risk of government [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) made to a country or [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by it. The government's part of [political risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#political_risk).

**Span**

To cover all contingencies within a specified range.

**SPDRs**

SPDRs (Spiders) are designed to track the value of the [Standard & Poor's 500 Composite Price Index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p_500_composite_index). Stands for Standard & Poor's Depositary Receipt. They trade on the [American Stock Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange) under the symbol SPY. SPDRs are similar to [closed-end funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund) but are formally known as, [a unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust). One SPDR [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) is valued at approximately one-tenth (1/10) of the value of the S&P 500. [Dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) are disbursed [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly), and are based on the [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) [stock dividends](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_dividend) held in [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), less any [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) of the trust. See: [Mid-cap SPDR](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mid_cap_spdr).

**Special arbitrage account**

A [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) with lower [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) requirements, reserved for [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that are [hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) by an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) or [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Special assessment bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) with [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid by the taxes of the community benefiting from the [bond-funded](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_fund) project.

**Special bid**

A method of purchasing a large [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) by advertising a client's large [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), and matching it up with a number of other [traders'](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) smaller sell [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order).

**Special bond account**

A special [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) used only for [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in US [government bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#government_bond), municipals, and eligible listed and unlisted non-[convertible](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds).

**Special Claim on Residual Equity (SCORE)**

A [certificate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate) that entitles the owner to the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [appreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#appreciation) of an [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security), but not to the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) income from the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Special dividend**

Also referred to as an [extra dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#extra_or_special_dividends). [Dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) that is unlikely to be repeated.

**Special Drawing Rights (SDR)**

A form of international [reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), created by the IMF in 1967, whose value is based on a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of widely used [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Special Meeting**

Refers to a meeting of shareholders outside the usual [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) general meeting. In the context of corporate governance, some limitations either increase the level of shareholder support required to call a special meeting beyond that specified by state law or eliminate the ability to call one entirely. Such provisions add an extra time delay to many proxy fights, since [bidders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) must wait until the regularly scheduled annual meeting to replace board members or dismantle takeover defenses.

**Special-Purpose Entity**

A financing technique in which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) decreases its [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) by creating separate partnerships, rather than [subsidiaries](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary), for certain holdings and solicits outside investors to take on the risk. In order to qualify as a special-purpose entity, whose [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) results are not carried on the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book), the [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) must meet strict accounting guidelines. Compare to subsidary.

**Specialist**

On an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), the [member firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) that is designated as the [market maker](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) (or [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) for a [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock)). Member of a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) who maintains a "fair and orderly market" in one or more [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities). Only one [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) can be designated for a given [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), but dealers may be specialists for several stocks. In contrast, there can be multiple market makers in the [OTC market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.). Major functions include [executing](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [limit orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) on behalf of other exchange members for a portion of the [floor broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), and [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling for the specialist's own account to counteract temporary [imbalances](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#imbalance_of_orders) in supply and demand and thus prevent wide swings in stock [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Specialist block purchase and sale**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a large number of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) for himself or to pass on to another [floor trader](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_trader) or [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy).

**Specialist market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) made solely by the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist), as no [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), and henceforth no depth, exist in the market.

**Specialist unit**

A [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) who maintains a stable [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by acting as a [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for other [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in one or many [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Specialist's book**

Chronological record maintained by a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) that includes the specialist's own inventory of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), [market orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) to sell [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), and [limit orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order) and [stop orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) that other [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) members have placed with the [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**Specialist's short-sale ratio**

The percentage of the total [short sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) by [specialists](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist).

**Specific issues market**

The [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) reverse in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) they wish to [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short).

**Specific Return**

The part of the [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) not explained by [common factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_factor). The specific [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is independent of (uncorrelated with) the common factors and the specific returns to other [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). It is also called the [idiosyncratic return](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#idiosyncratic_risk).

**Specific risk**

See: [Unique risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unique_risk)

**Spectail**

A [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) doing business with [retail](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retail) but concentrating more on acquiring and financing its own [speculative](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculative) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Speculation**

Purchasing [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that present the possibility of large [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit), but also pose a higher-than-average possibility of [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss). A [profitable](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) over the [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) term if undertaken by professionals who [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) their [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) the amount of risk.

**Speculative**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that involve a high level of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**Speculative demand (for money)**

The need for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) to take advantage of [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) opportunities that may arise.

**Speculative-grade bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) rated Ba or lower by Moody's, or BB or lower by [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p), or an unrated bond.

**Speculative motive**

A desire to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in order to be poised to exploit any attractive [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) opportunity requiring a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) expenditure that might arise.

**Speculative stock**

Very [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Speculator**

One who attempts to anticipate price changes and, through [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract), aims to make [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). A [speculator](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) does not use the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in connection with the production, processing, marketing, or handling of a product. See: [Trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders).

**Speed**

Related: [Prepayment speed](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayment_speed)

**Spider**

See: [SPDRs](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spdr)

**Spike**

[Order ticket](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_ticket) that shows the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), price, number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), type, and account of the [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order). Origin: Practice of placing the [ticket](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticket) on a metal spike upon [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) or [cancellation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel). Spike is also a sudden, drastic increase in a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) share price.

**Spin-off**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) can create an independent company from an existing part of the company by selling or distributing new [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the so-called spin-off.

**Spinning**

In investment banking, the practice of an investment bank setting aside portions of a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) Initial Public Offering for senior [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) of that corporation. Ethically questionable practice which appears to be a form of bribery.

**SPINs**

Stands for [Standard & Poor's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 Index Subordinated Notes.

**Split**

Sometimes [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) split their [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) into more shares. If a company with 1 million shares executes a two-for-one split, the company would have 2 million shares. An [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with 100 shares before the split would [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) 200 shares after the split. The investor's percentage of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) in the company remains the same, and the share price of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) owned is one-half the price of the stock on the day prior to the split.

**Split commission**

A [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) shared between a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) and a [financial adviser](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_adviser) or other professional who brought the customer to the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Split-coupon bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that begins as a [zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) paying no [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and converts to an [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paying [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on a future date.

**Split-fee option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on an option. The [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) generally [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) the split fee with first an initial fee, with a window period at the end of which (upon payment of a second fee) the original terms of the option may be extended to a later predetermined final notification date.

**Split offering**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is made up of [serial bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds) and term [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) bonds.

**Split order**

A large [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that is divided into smaller [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that are spread out over some period of time to avoid large fluctuations in the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices).

**Split print**

[Block trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) printed at two different prices. Often used in [dividend rolls](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_trade_roll_play) to get an [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) price equal to the [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Split-rate tax system**

A tax system that taxes [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings) at a higher rate than [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) that are [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) as [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**Split rating**

Two different [ratings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) given to the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by two important [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) agencies.

**Split stock**

(1) [Purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) shared with others. (2) Division of the [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) into a large number of shares. Ordinarily, [splits](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split) must be proposed by directors and approved by [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Spoken for**

Amount of opposite demand (placement) or supply (availability) the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) has in efforts to [cross](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cross) the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). Not [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open).

**Sponsor**

An [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investments) [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that offers [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in its [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), or an influential institution that highly values a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and thus creates additional demand for the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). In the context of project financing, a developer of the project or a party poviding [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) support.

**Spontaneous Current Liabilities**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that automatically increase and decrease in response to financing needs, such as [accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable).

**Spontaneous Liabilities**

[Obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) that arise automatically in the course of operating a business when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) goods and services on [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Spot commodity**

A [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) that is [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) with the expectation of actual [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery), as opposed to a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [future](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) that is usually not [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deliver).

**Spot exchange rates**

[Exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) on [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) for immediate [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery). Related: [Forward exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_exchange_rate).

**Spot futures parity theorem**

Describes the theoretically correct relationship between [spot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) and [futures prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price). Violation of the [parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parity) relationship gives rise to [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) opportunities.

**Spot interest rate**

[Interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) fixed today on a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) that is made today. Related: [Forward interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_interest_rate).

**Spot lending**

Originating [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) by processing applications taken directly from prospective [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow).

**Spot markets**

Related: [Cash markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_markets)

**Spot month**

The nearest [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) month on a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Spot price**

The current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) of the actual [physical commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#physical_commodity). Also called [cash price](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_price). Current [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) price of a commodity [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [spot market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_markets), in which goods are sold for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) and [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) immediately. Antithesis of [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price).

**Spot rate**

The theoretical [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on a zero-coupon Treasury security.

**Spot rate curve**

The graphical depiction of the relationship between the [spot rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) and [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Spot secondary**

[Secondary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering) that may not require an [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) and may be attempted without delay. An [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) is normally included in these [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer).

**Spot trade**

The [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange), [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), or other item for immediate [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Spot transaction**

A foregin exchange transaction in which each party promises to pay a certain amount of [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to the other on the same day or within one or two days.

**Spousal IRA**

An [individual retirement account](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) in the name of an unemployed spouse.

**Spousal remainder trust**

A fixed-term [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) from which income is [distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) to the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) (such as a child of the [grantor](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor)) to take advantage of a lower [tax bracket](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_bracket), and that at the end of the term passes to the grantor's spouse.

**Spread**

(1) The gap between [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or other [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). (2) The simultaneous [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of separate [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) or [options contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) for the same [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) in different months. Also known as a [straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle). (3) Difference between the price at which an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) from a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) and the price at which the underwriter sells it to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public). (4) The price an [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) pays above a [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) fixed-income [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) to [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Spread income**

Also called [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) income, the difference between income and [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost). For a depository institution, the difference between the [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) it invests in ([loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security)) and the [cost of its funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_funds) (deposits and other sources).

**Spread option**

A [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) consisting of the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of one [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) and the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of another [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on the same [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) with a different [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) and/or [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date).

**Spread order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) listing the [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that the customer wants to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell and the desired [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) paid and received for the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Spread position**

The status of an account after a [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) has been carried out.

**Spread strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that involves a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in one or more [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) so that the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is funded entirely or in part by selling another option in the same [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying). Also called [spreading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Spreadsheet**

A computer program that organizes numerical data into rows and columns in order to calculate and make adjustments based on new data.

**Sprinkling trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in which the trustee decides how to [distribute](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) income among a group of designated people.

**SPX**

Applies to derivative products. Symbol for the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) 500 index.

**Squeeze**

Period when [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) increase in price and [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who have sold [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) must cover their [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) to prevent loss of large amounts of [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**SS1**

Securities sales speaker box that transmits to all [investment banks'](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) regional [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) and [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) desks.

**Stabilization**

The action undertakes a country when it [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells its own [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) to protect its [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) value.   
Actions registered competitive [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) undertake by on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) to meet the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) requirement that 75% of their [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) be stabilizing, meaning that [sell orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_order) follow a [plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus_tick) and [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) a [tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus_tick).   
Actions a [managing underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#managing_underwriter) undertake so that the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) does not fall below the [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) price during the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) period.

**Stable Paretian, or Fractal Hypothesis**

In the characteristic function of the [fractal](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal) family of [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution), the characteristic exponent alpha can range between one and two. See: [Alpha](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#alpha), [Fractal Distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_distribution), [Gaussian](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gaussian).

**Stability**

The relative steadiness or safety of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) or fund compared to the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as a whole. For example, [money market funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund) and other [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) offer more stability than funds that invest in [growth stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock).

**Stag**

[Speculator](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) who [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) for short intervals to make quick [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Stagflation**

A period of slow economic growth and high unemployment with rising prices ([inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation)).

**Staggered board of directors**

Occurs when a portion of directors are elected periodically, instead of all at once. Board terms are often staggered in order to thwart unfriendly [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempts, since potential [acquirers](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) would have to wait longer before they could take [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) board through the normal voting procedure.

**Staggering maturities**

[Hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) movements by [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in [short-](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term), medium-, and [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Stagnation**

A period of slow economic growth, or, in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), a period of inactive [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Stakeholders**

All parties that have an interest, [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) or otherwise, in a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)-[stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor), [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder), employees, customers, [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management), the community, and the government.

**Stale price**

An old price of the asset that does not reflect the most recent information.

**Stale price arbitrage**

For a number of assets, the most recent transaction price at 4PM ET does not fully reflect all available market information. One example is international equities that trade on exchanges that are located in different time zones and close 2-15 hours before U.S. markets. In addition, domestic small-capitization equities and high-yield and convertible bonds often trade infrequently and have wide bid-ask spreads. This can cause the most recent transaction price to be much different from the price that one would see in a liquid market at 4 PM, even for assets that trade on exchanges that are open at that time. Investors can take advantage of mutual funds that calculate their [NAVs](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) using stale closing prices by trading based on recent market movements. For example, if the U.S. market has risen since the close of overseas equity markets, investors can expect that overseas markets will open higher the following morning. Investors can buy a fund with a stale-price [NAV](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value) for less than its current value, and they can likewise sell a fund for more than its current value on a day that the U.S. market has fallen. Similar opportunities exist when the values of infrequently or illiquidly-traded domestic assets have recently changed. Also referred to as Net Asset Value Arbitrage or NAV Arbitrage.

**Stalking horse**

In [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) proceedings, this refers to the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that first [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for the companies [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Stalking horse bid**

In [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy) proceedings, this refers to first [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) for the [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). This is the bid to beat. If there are multiple bids, often there is a bankruptcy auction.

**Stamp duty**

Applies mainly to international equities. Taxes on foreign [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), usually a percentage of total transaction amount, that can be unilateral or bilateral in nature.

**Stamp tax**

Tax on a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Stand-alone principle**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) approach that advocates a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) should accept or reject a project by comparing it with [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in the same [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class).

**Standby Letter of Credit**

Documents evidencing failure of the bank's customer (the applicant) to pay an obligation when due.

**Stand up to**

Make a good-sized [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in the [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) own [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices). Hence, "standing up" to the bid signifies the trader's willingness to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) size (i.e., 50m) volume at the advertised bid, even if the customer [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy)/seller [falls down](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fall_down).

**Standard deduction**

The IRS-specified amount by which a taxpayer is entitled to reduce income an alternative to itemizing deductions.

**Standard deviation**

The square root of the [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance). A measure of dispersion of a set of data from its [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean).

**Standard error**

In statistics, a measure of the possible error in an estimate. Plus or [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) 2 standard errors usually provides a 95% confidence interval.

**Standard Industrial Classification (SIC)**

A code system that designates a unique business activity classified by [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry).

**Standard & Poor's MidCap 400 Index**

A [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization)-weighted benchmark index made up of 400 [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) with market values between $200 million and $5 billion.

**Standard & Poor's SmallCap 600 Index**

A small-capitalization [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) made up of 600 domestic stocks chosen for market size, [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity), and industry group representation.

**Standardized normal distribution**

A [normal distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_probability_distribution) with a [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) of 0 and a [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of 1.

**Standardized value**

Also called the [normal deviate](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#normal_deviate), the distance of one data [point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point) from the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean), divided by the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution).

**Standby agreement**

In a [rights issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering), agreement that the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) will [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) any [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) not purchased by [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Standby commitment**

An agreement between a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that the firm will [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) whatever part of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that is offered in a [rights offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering) that is not subscribed to in the two- to four- week standby period.

**Standby fee**

Amount paid to an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) who agrees to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) any [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is not purchased by [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) in a [rights offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering).

**Standby letter of credit**

Agreement to [guarantee](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) [invoice](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice) payments to a supplier; a standby [LOC](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.o.c.) promises to pay the seller if the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) fails to pay.

**Standing**

Level of [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) in the [trading crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading).

**Standstill agreement**

[Contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) by which the [bidding](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) firm in a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempt agrees to limit its holdings of another firm.

**Start-up**

The earliest stage of a new business venture.

**State bank**

A bank authorized in a specific state by a state-based [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter), with generally the same functions as a national bank.

**State and local government series (SLUGs)**

Special [nonmarketable](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#nonmarketable_security) [certificates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate), [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) offered to state and local governments as a means to [invest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) from their own [tax-exempt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_income) financing. [Interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) comply with [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) provisions. Slugs are offered in both [time deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_deposit) and [demand deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#demand_deposits) forms. Time deposit certificates have maturities of up to one year. Notes mature in one to ten years and bonds mature in more than ten years. Demand deposit securities are one-day certificates rolled over with a rate adjustment daily.

**State tax-exempt income fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that seeks current income exempt from federal and a specific state's [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Stated annual interest rate**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) expressed as a per year percentage, by which [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments) are determined. See: [Annual percentage rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_percentage_rate).

**Stated conversion price**

At the time of issuance of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security), the price the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) effectively grants the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security)holder to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), equal to the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of the [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) divided by the [conversion ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion_ratio).

**Stated maturity**

For the [CMO](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation) [tranche](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche), the date the last payment would occur at zero CPR.

**Stated value**

A monetary worth figure that bears no relation to [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) that is assigned, for accounting purposes, to [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) for use instead of [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Statement of Additional Information (SAI)**

A document provided as a supplement to a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus). It provides more detailed information about fund policies, operations, and risks. Also known as a [Part B prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#part_b_prospectus).

**Statement billing**

[Billing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice_billing) method in which the [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) for a period such as a month (for which a customer also receives [invoices](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice)) are collected into a single statement, and the customer must pay all the [invoices](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#invoice) represented on the statement.

**Statement of Cash Flows**

A [financial statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) showing a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) and [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) payments during a specified period.

**Statement-of-Cash-Flows Method**

A method of [cash budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) that is organized along the lines of the statement of [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Statement of condition**

A document describing the status of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability), and [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) of a person or business at a particular time.

**Statement of Financial Accounting Standards No. 8**

The is a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) translation standard once used by U.S. accounting [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). See: [Statement of Accounting Standards No. 52](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_financial_accounting_standards_no._52).

**Statement of Financial Accounting Standards No. 52**

The [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) translation standard currently used by US [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). It mandates the use of the [current rate method](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_rate_method). See: [Statement of Financial Accounting Standards No. 8](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#statement_of_financial_accounting_standards_no._8).

**"Static" Return**

The return that an investor would make on a particular position if the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stock were unchanged in price at the [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) of the options in the position.

**Static theory of capital structure**

Theory that the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [capital structure](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_structure) is determined by a trade-off of the value of [tax shields](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shield) against the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy).

**Stationary time series**

A longitudinal measure in which the process generating [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) is identical over time.

**Statistical Arbitrage**

In the context of hedge funds, a style of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that employs complex statistical models that try to capture small abnormalities in a security's intraday return.

**Statistical tracking error**

Used in the context of general equities. [Standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the difference between the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) and the desired investment [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) return.

**Statutory debt limit**

The cap that Congress imposes on the amount of [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that may be [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) whether temporary or permanent. When this limit is reached, the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) may not sell new [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) until Congress raises the limit. For a detailed listing of changes in the limit since 1941, see Budget of the United States Government. See: [Debt outstanding subject to limitation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_outstanding_subject_to_limitation).

**Statutory investment**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that a [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) is authorized to make under state law.

**Statutory merger**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) in which one [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) remains as a [legal entity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legal_entity), instead of a new legal entity being formed.

**Statutory surplus**

The [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds) of an insurance [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) determined by the accounting treatment of both [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) as established by state statutes.

**Statutory voting**

The standard rule in most [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that there is one vote per [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in elections of the [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Staying power**

The ability of an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to stay in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and not to [sell out](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_out) of a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) when an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) has fallen in value.

**Steady state**

As an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) ages, or four to six months after component mortgages have passed at least once the threshold for [refinancing](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refinancing), the [prepayment](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) speed tends to stabilize within a fairly steady range.

**Steenth**

1/16 (0.0625) of one full point in price. Often used in negotiations to compromise an eighth difference, and in [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading).

**Steepening of the yield curve**

A change in the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve) where the [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on a [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) has increased. Compare [flattening of the yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#flattening_of_the_yield_curve) and [butterfly shift](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#butterfly_shift).

**Step aside**

Allow a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a price at which you do not care to participate in the trade.

**Step-down note**

A [floating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#float)-rate [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) whose [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) declines after a specified period of time.

**Step up**

To increase, as in step up the [tax basis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_basis) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Step-up bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that pays a lower [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) for an initial period, and then increases to a higher coupon rate. Related: Deferred-interest bond, [payment-in-kind bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payment_in_kind_bond).

**Step-up swap**

An [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) on which the [notional principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#notional_principal_amount) increases according to a predetermined schedule.

**Sterilized intervention**

[Foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) activity by which monetary authorities insulate their domestic [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) supplies from the foreign exchange [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) with [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of domestic [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Sticky deal**

A new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that may be difficult to sell because of problems in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or underlying problems with the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Stochastic models**

[Liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability)-matching models that assume that the [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) payments and the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) are uncertain. Related: [Deterministic models](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deterministic_models).

**Stochastics index**

A computerized tool measuring overbought and oversold conditions in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) over a certain period.

**Stock**

Ownership of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) by [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), which represent a piece of the corporation's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Stock ahead**

When two or more [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a certain price arrive about the same time, and the [exchange's](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) rules take effect. [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) rules stipulate that the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) made first should be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) first, or, if two bids come in at once, the bid for the larger number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) receives priority. The bid that is not [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) is then turned to the [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), who informs the customer that the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) was not completed because there was "stock ahead.".

**Stock bonus plan**

A plan used as an incentive that rewards employee performance with [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Stockbroker**

See: [Registered representative](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registered_representative)

**Stock Appreciation Right (SAR)**

A contractual right, often granted in tandem with an option that allows an individual to receive [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of a value equal to the appreciation of the stock from the grant date to the date the SAR is [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Stock buyback**

A [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of its own [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), usually in order to raise the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [earnings per share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share).

**Stock certificate**

A document representing the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) owned by a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Stock dividend**

Payment of a corporate [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) in the form of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) rather than [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash). The stock dividend may be additional [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in the [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), or it may be shares in a [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) being spun off to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). Stock dividends are often used to conserve [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) needed to operate the business. Unlike a [cash dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_dividend), stock dividends are not taxed until sold.

**Stock Exchange Automated Quotation System (SEAQ)**

London's [Nasdaq system](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.a.q.s.).

**Stock Exchange of Hong Kong (SEHK)**

Only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) located in Hong Kong.

**Stock Exchange, Mumbai (BSE)**

Formerly the Bombay stock exchange, the BSE accounts for more than one-third of Indian [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume).

**Stock Exchange of Singapore (SES)**

The only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Singapore.

**Stock Appreciation Rights**

An incentive scheme for employees similar to stock options. The employee get the increase in the stock price from the date of the grant to the date of the exercise. However, in contrast to options, there is no dillutive effect. That is, no shares are issued. Similar to options, if the company's stock falls in value, the appreciation right is worthless.

**Stock Exchange of Thailand**

The major securities market of Thailand.

**Stock exchanges**

Formal organizations, approved and regulated by the [Securities and Exchange Commission (SEC)](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.), that are made up of [members](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members) who use the facilities to exchange certain [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock). The two major national [stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) are the [New York Stock Exchange (NYSE)](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) and the [American Stock Exchange (ASE or AMEX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange). Five [regional stock exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regional_stock_exchanges) include the Midwest, Pacific, Philadelphia, Boston, and Cincinnati. The Arizona Stock Exchange is an after-hours electronic marketplace where anonymous participants [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) stocks via personal computers.

**Stock index**

[Index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) like the [Dow Jones Industrial Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) that tracks a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Stock Index Future**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that uses composite [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) indexes to allow [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to speculate on the performance of the entire [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), or to [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) against [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short positions](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position). The [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of the [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is in [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash).

**Stock index option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) in which the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) is a common [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index).

**Stock index swap**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) involving a [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index). The other [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) involved in a stock index swap can be another stock index (a stock-for-stock swap), a debt index (a debt-for-stock swap), or any other [financial asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_assets) or financial [price index](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_indexes).

**Stock insurance company**

An insurance company owned by a group of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder), who are not necessarily [policyholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder).

**Stock jockey**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) who frequently [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sells [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a client's [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Stock list**

The department within a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) that oversees compliance with [listing requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listing_requirements) and [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) regulations.

**Stock market**

Also called the [equity market](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_market), the market for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) [equities](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Stock option**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) whose [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) is the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Stock power**

A [power of attorney](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#power_of_attorney) form giving ownership of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to another person, brokerage firm, bank, or [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) after it has been sold or pledged to that party.

**Stock purchase plan**

A plan allowing employees of a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of the company, often at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) or with matching employer funds.

**Stock rating**

An evaluation by a rating agency of the expected [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) performance or inherent [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Stock record**

The accounting a brokerage firm keeps of all [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held in [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**Stock replacement strategy**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) for enhancing a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), used when the [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) is expensive according to its theoretical price. The strategy involves a [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) between the [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and a [Treasury bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) and [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Stock repurchase**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) repurchase of [outstanding shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding_shares) of its [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Stock right**

Another terminology for a [stock option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option).

**Stock selection**

An [active portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_portfolio_strategy) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) technique that focuses on advantageous selection of particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) rather than on broad asset allocation choices.

**Stock split**

Occurs when a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) new [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and in turn lowers the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of its stock to a level that is proportionate to pre-[split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split) prices. For example, if IBM trades at $100 before a two-for-one split, after the split it will [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at $50, and holders of the stock will have twice as many shares as they had before the split. See: [Split](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#split).

**Stock symbol**

See: [Ticker symbol](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_symbol)

**Stock ticker**

A letter designation assigned to [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on US financial [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**StockWatch**

A stock surveillance program offered by proxy solicitation firms, and selected [transfer agents](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent), to track and monitor [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [corporation's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) shares and provide valuable information at the beneficial owner level.

**Stock watcher (NYSE)**

A computerized service that monitors and investigates [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.) in order to identify any unusual activity or [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) movement that might be caused by rumors or illegal activities.

**Stockholder**

See: [Shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Stockholder books**

Set of [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) kept by [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) for its [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) that follows [Financial Accounting Standards Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_accounting_standards_board) rules. The tax books follow IRS tax rules.

**Stockholder equity**

[Balance sheet](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_sheet) item that includes the [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of ownership in the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). It includes [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [paid-in surplus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#paid_in_surplus), and [retained earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retained_earnings).

**Stockholder of record**

[Stockholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) whose name is registered on the books of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and thus will receive [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) from the corporation.

**Stockholder's equity**

The [residual claims](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_claim) that [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) have against a firm's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), calculated by subtracting all current liabilities and debt liabilities from total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Stockholder's report**

The [annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) and other [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) given to [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) to inform them of the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) standing and developments.

**Stockholm Stock Market (Stockholm B&#ouml;rsen)**

The major securities market of Sweden.

**Stockout**

Running out of [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory).

**Stop basis**

Refers to [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Method of entering an [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) trade into the [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) without [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape).

**Stop-limit order**

A [stop order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) that designates a [price limit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#daily_price_limit). Unlike the [stop order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order), which becomes a [market order](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_order) once the stop is reached, the stop-limit order becomes a [limit order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_order).

**Stop-loss order**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to [unwind](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unwind_a_trade) a position when the price moves against you. This order is designed to limit losses or in some cases to lock in a certain level of profit. As soon as the price of the security hits the stop-loss price (or falls below), the order becomes a market order. If you were [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), the stop-loss would trigger a purchase. Stop-losses are often disabled for after hours trading because prices are often quite variable and you could be executed at an unfavorable price. Stop losses are also usually calculated off the bid price (which is a measure of what people are actually willing to pay if the security is sold). Again, one needs to be careful because if there is lack of liquidity, the bid-ask spread could be large and you could be stopped out at an unfavorable price. Finally, some traders have rolling or trailing stop loss. As the price moves up the stop-loss is moved higher (say 20% below the current price).

**Stop order (or stop)**

An order to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell at the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) when a definite price is reached, either above (on a buy) or below (on a sell) the price that prevailed when the order was given.

**Stop-out price**

The lowest auction price at which [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) are sold.

**Stop payment**

An [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) given a depository institution not to pay out [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) for a [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check); often used when the [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) has been stolen or lost.

**Stop Transfer**

A block placed against a security [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) lost or stolen (an adverse claim), so it cannot be [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer).

**Stopped**

Guaranteed a specific price on the customer's [working order](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_order) while the [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) tries to obtain a better one. Stopped against one's self involves a customer order and a firm's own account, not two customers. One can [cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) an order even after being stopped by another party.

**Stopped out**

A [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) that is [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) under a [stop order](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_order) at the [stop price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stop_out_price) specified by the customer.

**Stopping curve**

A curve showing the [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) rates for different times at which the [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) of [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) immediately equals the [expected value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_value) of waiting to refund.

**Stopping curve refunding rate**

A [refunding](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refunding) rate that falls on the [stopping curve](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stopping_curve).

**Story stock/bond**

A highly complex [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that requires a [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) "story" so that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) may understand the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) and be persuaded of its merits.

**Straddle**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an equal number of [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) with the same terms at the same time. Related: [Spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread).

**Straight**

Direct telephone line, compared to an outside line that requires a telephone number to be dialed.

**Straight Bill of Lading**

A [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading) that is cosigned to a specific party and is therefore non negotiable.

**Straight Discount**

The rate applied to the [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) of the [promissory note](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#promissory_note) to calculate [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) without [compounding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compounding). For example, a note with a face value in three years of 100, with a straight [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) of 10% per annum has a present value of 70.

**Straight-line depreciation**

[Amortizing](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) or apportioning an equal dollar amount of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) in each accounting period.

**Straight term insurance policy**

Term [life insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance_policy) providing a fixed-amount death benefit over a certain number of years.

**Straight value**

Also called [investment value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_value), the value of a [convertible security](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security) without the [conversion](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conversion) [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Straight voting**

Allows [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to cast all of the shareholder's votes for each candidate for the [Board of Directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors).

**Strange Attractor**

An [attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor) in [phase space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space), where the points never repeat themselves, and orbits never intersect, but they stay within the same region of [phase space](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#phase_space). Unlike [limit cycles](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_cycles) or [point attractors](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point_attractor), strange attractors are non-periodic, and generally have a [fractal dimension](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractal_dimension). They are a picture of a non-linear, chaotic system. See: [Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#attractor), [Chaos](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chaos), [Limit Cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limit_cycles), [Point Attractor](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point_attractor).

**Strangle**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or selling an [out-of-the-money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#out_of_the_money) [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) and [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) on the same [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), with the same [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration). [Profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) are made only if there is a drastic change in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [instrument's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) price.

**Strategic alliance**

Collaboration between two or more [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) designed to achieve some corporate objective. May include international [licensing](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#licensing) agreements, [management contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management_contract), or [joint ventures](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joint_venture).

**Strategic buyout**

[Acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) of another [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) in order to realize some operational benefits which will result in increased [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings).

**Strategy**

The general or specific approach to investing that an individual, institution, or [fund manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fund_manager) employs.

**Stratified equity indexing**

A method of constructing a [replicating portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replicating_portfolio) that classifies the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) into strata, and represents each stratum in the [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Stratified sampling approach to indexing**

Dividing an [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) into cells, each representing a different characteristic of the index, such as [duration](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#duration) or [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Stratified sampling bond indexing**

A method of [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing) that divides the [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) into cells, each cell representing a different characteristic, and that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) bonds to match those characteristics.

**Stray**

(1) Not a member of the participating party in the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at hand; (2) not a meaningful [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) of a customer's desire to take a sizable [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) or be involved in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Street**

Means [Wall Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) community; [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), [dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter), and other knowledgeable participants.

**Street name**

[Registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) under which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) maybe held by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) on behalf of a client but be registered in the name of the [Wall Street](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wall_street) firm.

**Strike index**

For a [stock index option](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index_option), the index value at which the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) can [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index). The [strike index](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_index) is converted to a dollar value by multiplying by the option's [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) multiple. Related: [Strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price).

**Strike price**

The [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) price per share for which [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) may be [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) (in the case of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)) or sold (in the case of a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) by the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) holder upon [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of the [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract).

**Striking price**

The price at which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) can be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise). See: [Exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price).

**Striking Price Intercal**

The distance between striking prices on a particular underlying security. Normally, the interval is 2-1/2 points for stocks under $25, 5 points for stocks selling over $25 per share, and 10 points (or greater) is acceptable for stocks over $200 per share. There are, however, exceptions to this general guideline.

**Strip**

Variant of a [straddle](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#straddle). A strip is two [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and one [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). A strap is two calls and one put on a stock. The puts and calls have the same [strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price) and [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date). See: Strap.

**Strip mortgage participation certificate (strip PC)**

Ownership interests in specified [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) from a single seller in exchange for separate [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) representing interests in the same mortgages.

**Stripped bond**

[Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that can be subdivided into a [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [zero-coupon bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond).

**Stripped mortgage-backed securities (SMBS)**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) that redistribute the [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) from the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) generic [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) into the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) components of the MBS to enhance their attractiveness to different groups of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Stripped yield**

Applies mainly to [convertible securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_security). Return on the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) portion of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond)/[warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) after subtracting the value of the [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) warrant segment.

**Strong Currency**

A [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) whose value compared to other currencies is improving, as [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) by a decrease in the direct [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) for the [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Strong dollar**

When the dollar can be exchanged for a large amount of [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency), benefiting travelers but hurting exporters.

**Strong-form efficiency**

A form of [pricing efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pricing_efficiency), that posits that the price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) reflects all information, whether or not it is [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) available. Related: [Weak-form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weak_form_efficiency), [semi-strong form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#semistrong_form_efficiency).

**Strong form of the EMT**

Theory that [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_price) reflect all relevant [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and privately available information. Defined by Eugene F. [Fama](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fama) in 1970.

**Structural Adjustment Loan Facility (SAL)**

[World Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_bank) program established in 1980 to enhance a country's [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) economic growth through financing projects.

**Structure**

The description of how a project financing is [drawdown](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drawdown), repaid, and [collateralized](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) secured.

**Structured arbitrage transaction**

A self-funding, self-[hedged](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that usually use [mortgage-backed securities (MBS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities), commercial mortgage backed securities, and collateralized debt obligations as the primary [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Structured Asset Trust Unit Repackagings**

A synthetic security linked or weak-linked to underlying collateral. Ratings usually reflect the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) quality of the underlying securities.

**Structured debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that has been customized for the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), often by incorporating unusual options.

**Structured finance**

Often refers to a group within an investment bank that deals with [mortgage-backed securities (MBS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities), commercial mortgage backed securities, and collateralized debt obligations,and real estate.

**Structured note**

A [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that will change in value with movements of an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index); or a [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) whose [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) makes swap arrangements to alter its required [cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Structured portfolio strategy**

Designing a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to achieve a level of performance that matches some predetermined [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) that must be paid out in the future.

**Structured settlement**

An agreement in [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of a lawsuit involving specific payments made over a period of time. Property and [casualty insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#casualty_insurance) [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) often [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_insurance) products to pay the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of such settlements.

**Stub**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Piece of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) left over from a major [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or security [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from a recapitalization.

**Student Loan Marketing Association (SLMA)**

A [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) established by federal action that increases availability of educational loans by guaranteeing student [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the secondary [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). Also known as [Sallie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sallie_mae).

**Subaccount**

A term used in bookkeeping. For example, the insurance expense account may have various different subcategories such as building and property insurance, auto/fleet insurance, general liability, environmental, professional liability, law enforcement, and other insurance.

**Subchapter M**

An [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) regulation dealing with [investment companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_company) and [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate) investment [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) that avoid double taxation by distributing [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) directly to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders), who are taxed individually.

**Subchapter S**

[IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) [regulation](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#regulations) that gives a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) with 35 or fewer [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) the option of being taxed as a [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) to escape corporate [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Subject**

Refers to a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) that cannot be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) without confirmation from the customer. In other words, not [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm_order), but a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/[offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) that needs additional information/confirmation before becoming firm and is therefore still negotiable.

**Subject market**

[Quote](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation) in which [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) are subject to [confirmation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#confirmation). See: [Fast market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fast_market).

**Subject to a (NY) can**

Contingent upon [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) ability to [cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) (on the [indicated](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)).

**Subject to opinion**

An auditor's opinion reflecting acceptance of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) subject to pervasive uncertainty that cannot be adequately measured, such as information relating to the value of [inventories](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) for [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss), or other matters open to judgment.

**Subject to a print/execution/trading**

Contingent on [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) because the [picture](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#picture) in the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has not been materially altered.

**Subjective probabilities**

[Probabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) that are determined subjectively (for example, on the basis of judgment rather than statistical sampling).

**Subordinated**

A claim ranked lower in priority than other claims. [Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) claims are always subordinated to [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Subordinated bonds**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) that fall after others in priority of claims on the entity in the case of [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) distress.

**Subordinated debenture bond**

An [unsecured bond](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_bond) that ranks after [secured debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secured_debt), after [debenture bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture_bond), and often after some general [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor) in its claim on [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings). Related: [Debenture bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debenture_bond), [mortgage bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_bond), [collateral trust bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral_trust_bonds).

**Subordinated debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) over which [senior debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#senior_debt) takes priority. In the event of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), [subordinated debtholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subordinated_debt) receive payment only after senior debt claims are paid in full.

**Subordination clause**

A provision in a [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture) that restricts the [issuer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) future [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) by subordinating future [lenders'](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) claims on the firm to those of the existing [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**Subpart F**

Special category of [foreign-source](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_source_income) "un[earned](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earned_income)" income that is currently taxed by the IRS whether or not it is remitted to the US

**Subperiod return**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) over a shorter period of time than the [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period).

**Subprime mortgage**

Subprime refers to higher risk. These are mortgages that are issued to individuals who are often not qualified. That is, the long term monthly mortgage payment is more than their income. Often, these mortgages are issued on the expectation that the homeowners income will rise in the future. These mortgages are often made feasible by teaser rates. This means that the rate might be very low for the first few years but then rise steeply. In periods of weakness in the housing market or the economy in general, these mortgages are the first to run into trouble.

**Subrogation**

An insurance process whereby a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that has paid out to a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) for a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) incurred recovers the amount of the loss from the party that is legally liable.

**Subscription**

Agreement to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Subscription agreement**

An application reviewed by the [general partner](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_partner) to join a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership).

**Subscription price**

Price that current [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) pay for a share of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in a [rights offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering).

**Subscription privilege**

The right of current [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) newly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) before they are available to the [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public).

**Subscription right**

See: [Subscription privilege](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subscription_privilege)

**Subscription warrant**

Applies to derivative products. Type of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), usually [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with another [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), such as a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), that entitles the holder to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a proportionate amount of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) at a specified price, usually higher than the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) at the time of issuance. [Warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Subsidiary**

A wholly or partially owned [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that is part of a large [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). A foreign [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) is a separately incorporated entity under the host country's law. A subsidiary's [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) results are carried on the parent [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book).

**Subsidized financing**

Funding provided by a government or other entity that is available at a below-[market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Substitute sale**

A method for [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) [price risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_risk) that uses [debt market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_market) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments), such as [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), or that involves selling [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) as the primary [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Substitution swap**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) in which a [money manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager) exchanges one [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) for another bond that is similar in terms of [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon), [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), and [credit quality](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_quality), but that [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) a higher [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Substantially equal periodic payments (SEPP)**

A method of [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) account [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that under certain conditions is not subject to the [IRS's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) 10% premature withdrawal penalty for those under age 59-1/2.

**Success tax**

A 15% [excise tax](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excise_tax) on "excess" [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) from [tax-deferred retirement plans](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_retirement_plans) that was repealed by the Taxpayer Relief Act of 1997. In essence, the [tax had penalized](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#penalty_tax) "successful" [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who [accumulated](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) large [retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retirement) accounts and took [distributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) that exceeded an [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) limit deemed excessive by the tax code.

**Suicide pill**

A [hostile takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover) prevention tactic that could destroy the [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company). Taking on a large amount of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to prevent the takeover might cause [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy), for example.

**Suitability**

A requirement that any investing [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) fall within the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) means and investment objectives of an investor.

**Suitability rules**

Policies and guidelines that [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) must use to ensure that [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) have the [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) means to assume [risks](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that they wish to undertake. These are enforced by the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) and other [self-regulatory organizations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_regulatory_organization).

**Suitable**

Describing a [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) or [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) philosophy in which the investor is operating in accordance with his(her) [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) means and investment objectives.

**Summary plan description (SPD)**

A document that explains the fundamental features of an employer's [defined benefit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_benefit_plan) or [defined contribution plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_contribution_plan), including eligibility requirements, contribution formulas, vesting schedules, benefit calculations, and distribution options. ERISA requires that the SPD be easy to understand and that each participant receive a copy within 90 days of joining the plan.

**Sum-of-the-years'-digits depreciation**

Method of [accelerated depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accelerated_depreciation).

**Sunk costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) that have been incurred and cannot be reversed.

**Sunrise industries**

Growth industries in an economy that may become leaders in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in the future.

**Super Bowl indicator**

A theory that if a team from the old American Football League pre-1970 wins the Super Bowl, the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_market) will decline during the coming year. If a team from the old pre-1990 National Football League wins the Super Bowl, [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) prices will increase in the coming year.

**Super DOT**

Super [DOT](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#d.o.t.) provides faster [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) than regular DOT and focuses on large-size [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) and [baskets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket). See: [Program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading).

**Super Majority**

A proposal requiring more than a simple majority of the votes eligible to be cast at an [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) or special meeting. A super majority is often a 2/3 (66.66%) vote, but it can be as high as 3/4 (75%) or 4/5 (80%).

**Super message**

See: [Autex](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#autex)

**Super sinker bond**

Usually a home financing [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), but also any other [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) that has [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) but [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity); the [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) may be prepaid, and the holders may receive the long-term [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) after a short period of time.

**Supermajority**

Provision in a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) requiring a majority of, say, 80% of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to approve certain changes, such as a [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger).

**Supermajority amendment**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Corporate amendment requiring that a substantial majority (usually 67% to 90%) of [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) approve important [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), such as [mergers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger).

**Supervisory analyst**

An [analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who is qualified to approve [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) distributed research [reports](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) on the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.).

**Supervisory board**

The [board of directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) that represents [stakeholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stakeholders) in the governance of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Supplemental Security Income**

A Social Security program established to help the blind, disabled, and poor.

**Supplier credit**

Self-financing of a supplier's operations. Also the agreement of a supplier of goods or services to deferred repayment [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**Supply risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with a change in raw materials or input to a project from those assumed or projected. In the context of a resources production project, this is called reserves risk.

**Supply shock**

An event that influences production [capacity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capacity) and [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) in an economy.

**Supply-side economics**

A theory of economics that reductions in [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) will stimulate [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) and in turn will benefit the entire society.

**Support**

An effective lower bound on prices supported because of many willing [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) at that price level.

**Support level**

A price [level](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#level) below which it is supposedly difficult for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) to fall. That is, the price level at which a security tends to stop falling because there is more demand than supply; can be identified on a [technical basis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis) by seeing where the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) has bottomed out in the past.

**Surcharge**

An additional levy added to some charge.

**Surety**

An individual or [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that [guarantees](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) the performance or actions of another.

**Surplus funds**

[Cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) available after payment of taxes in a project.

**Surplus management**

Related: [Asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management)

**Surtax**

A tax added to the normal tax paid by [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) or individuals who have [earned income](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earned_income) above a certain level.

**Surveillance department of exchanges**

A department that monitors [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity on an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in order to identify any unusual activity that may [indicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) illegal practices.

**Survivorship bias**

Usually pertaining to fund manager or individual investor performance. Suppose we examined the performance over the last ten years of a group of managers that exist today. This performance is biased upwards because we are only considering those that survived for 10 years. That is, some [dropped](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#drop) out because of poor performance. Hence, in evaluating performance, one has to be careful to include both the current and the managers that dropped out of the sample due to poor performance.

**Sushi bond**

A [Eurobond](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurobond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a Japanese [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation).

**Suspended trading**

Temporary [halt in trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_halt) in a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), in advance of a major news announcement or to correct an [imbalance of orders](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#imbalance_of_orders) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell.

**Suspense account**

An account used temporarily to record [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) and disbursements that have yet to be classified.

**Sustainable growth rate**

Maximum rate of [growth](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_rates) a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) can sustain without increasing [financial leverage](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_leverage).

**Swap**

An arrangement in which two entities [lend](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) to each other on different [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term), e.g., in different [currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), and/or at different [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate), fixed or floating.

**Swap arrangements**

[Short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) reciprocal [lines of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) between the Federal Reserve and 14 foreign centeral banks as well as the [Bank for International Settlements](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bank_for_international_settlements). Through a swap [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), the Federal Reserve can, in effect, [borrow](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) in order to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) dollars in the foreign exchange market. In doing so, the demand for dollars and the dollar's foreign exchange value are increased. Similarly, the Federal Reserve can temporarily provide dollars to foreign central banks through swap arrangments.

**Swap assignment**

Related: [Swap sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap_sale)

**Swap book**

A [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) bank's [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of swaps, usually arranged by [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) and [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Swap buy back**

The [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) by one [counterparty](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) to the other, effectively ending the [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap).

**Swap fund**

See: [Exchange fund](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_fund)

**Swap option**

See: [Swaption](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swaption). Related: Quality [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Swap rate**

The difference between [spot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate) and [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate) expressed in points, e.g., $0.0001 per pound sterling.

**Swap reversal**

An [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) designed to end a [counterparty's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) role in another [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap), accomplished by counterbalancing the original [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) in [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), [reference rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reference_rate), and [notional amount](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#notional_principal_amount).

**Swap sale**

Also called a [swap assignment](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap_assignment), a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that ends one [counterparty's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparty) role in an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) by substituting a new counterparty whose [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) is acceptable to the other original counterparty.

**Swaption**

[Options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on [interest rate swaps](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap). The [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) of a swaption has the right to enter into an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) agreement by some specified date in the future. The swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a [fixed-rate payer](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_rate_payer). The [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) of the swaption becomes the counterparty to the [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) if the buyer [exercises](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise).

**Sweat equity**

An increase in [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) created by the labor of the owner.

**Sweep**

The act of using all available [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) for the repayment of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) service.

**Sweep account**

Account providing that a bank invest all the excess available funds at the close of each business day for the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Sweetener**

A feature of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that makes it more attractive to potential [purchasers](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Swing Trading**

Refers to a type of short term (one day to a couple of weeks) trading, triggered by technical analysis, for example, [momentum](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#momentum). Swing trading is distinguished by the notion thatthe trades are executed while the assets is moving in upward or downward [momentum](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#momentum)momentum.

**Swingline facility**

Bank [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) facility to provide [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) while the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) replaces US [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) with eurocommercial paper.

**Swiss Electronic Bourse (EBS)**

Computer linking system between the former [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [floors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) in Zurich, Geneva, and Basel, Switzerland so that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) can be carried out among [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) on all three of the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [floors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor).

**Swiss Options and Financial Futures Exchange (SOFFEX)**

The Swiss [derivatives market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_markets) with the first fully electronic [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) system in the world, now called Eurex Zurich AG.

**Swiss Exchange**

The major securities market of Switzerland.

**Swissy**

Slang for the Swiss franc.

**Switch order**

[Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) ([sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale)) of one [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and the sale (purchase) of another stock at a stipulated price difference. [Contingent order](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contingency_order), [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap).

**Switching**

[Liquidating](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) and simultaneously reinstating a position in another [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) of the same [type](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#type).

**Switching options**

A sequence of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in which [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of one [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) creates one or more additional [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). [Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment)-disinvestment, entry-exit, [expansion](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expansion)-contraction, and suspension-reactivation decisions are switching options.

**Sydney Futures Exchange (SFE)**

The [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) of Australia.

**Symbol**

Letters used to identify [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) on the [consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape) and other locations.

**Symbol book special**

[Illiquid](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#illiquid), inactively [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) not familiar [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market)

**Symmetric cash matching**

An extension of [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow) matching that allows for the [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) of funds to satisfy a [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) prior to the liability due date, reducing the [cost of funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost_of_funds) liabilities.

**Synchronous data**

Information available at the same time. To test [option-pricing](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) models, the price of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) and of the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) should be synchronous and reflect the same moment in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Syndicate**

A group of banks that acts jointly, on a temporary basis, to [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money) in a bank [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) (syndicated credit) or to [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) a new issue of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Syndicate manager**

See: [Managing underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#managing_underwriter)

**Syndicated Eurocredit loans**

[Funding](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funding) provided by a group (or [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate)) of banks in the [Eurocredit](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocredits) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Syndicated Loan**

A large [Eurocurrency](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurocurrency) [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) from a group of international banks.

**Syndication**

The selling of a project [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) to a group of prospective participants, the [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate).

**Synergistic effect**

A violation of [value-additivity](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_additivity_principal) in that the value of a combination is greater than the sum of the individual values.

**Synergy**

Describes a combination whose value is greater than the sum of the separate individual parts.

**Synthetic convertible**

Combination of usable [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) (that expire on or after the bonds' [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity)) that resembles [convertible bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond).

**Synthetic forward position**

A forward [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) constructed through [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) in one [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lend) in another [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency), and [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) these [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) in the [spot exchange market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_exchange_rates).

**Synthetic Lease**

When a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) creates a special-purpose entity to arrange for a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) property, and then leases the property from the entity.The synthetic lease therefore keeps the loan off the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) balance sheet, while the company provides enough income to the special-purpose entity to cover the interest rate on the loan.

**Synthetic put**

A [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) equivalent in risk to purchasing a put option where an investor sells stock short and [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**Synthetic stock**

An option [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) that is equivalent to the underlying stock. A long [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) and a short put is synthetic long stock. A long put and a short call is sythetic short stock.

**Synthetics**

Customized [hybrid](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hybrid) [instruments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) created by blending an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) price on a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) instrument with the price of a derivative instrument. It is a combination of [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) holdings that mimics the [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) of another single security (i.e., synthetic [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call): [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) combined with a put on that position; a protected [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale); synthetic [put:](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) [short position](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_position) in a stock combined with a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) on that position; a [protected](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protect) [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale)).

**System Noise**

See: [Dynamical Noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dynamical_noise)

**Systematic**

Common to all businesses.

**Systematic investment plan**

An approach involving regular [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in order to take advantage of [dollar-cost averaging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_cost_averaging).

**Systematic Return**

The part of the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) dependent on the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). We can break [excess returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) into two components: [systematic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic) and [residual](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residuals). The systematic return is the [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) times the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns).

**Systematic risk**

Also called [undiversifiable risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#undiversifiable_risk) or [market risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_risk).

**Systematic risk principle**

Only the [systematic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic) portion of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) matters in large, well-[diversified](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification) portfolios. Thus, [expected returns](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) must be related only to [systematic risks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk).

**Systematic withdrawal plan**

A provision of certain [mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) to pay out to the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) specified amounts after specified periods of time.

**Systemic Risk**

Risk common to a particular sector or country. Often refers to a risk resulting from a particular "system" that is in place, such as the regulator framework for monitoring of [financial\_institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution).

**T**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) indicating that the stock has [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) or rights.

**TAA**

See: [Tactical asset allocation](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tactical_asset_allocation)

**TABs**

See: [Tax anticipation bill](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_anticipation_bills)

**TANs**

See: [Tax anticipation notes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_anticipation_notes)

**TBA**

See: [To be announced](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#to_be_announced)

**TC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TURKS AND CAICOS ISLANDS.

**TD**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for CHAD.

**TEFRA (Tax Equity and Fiscal Responsibility Act of 1983)**

The law requiring federal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) withholding on payments of [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) to accounts without a certified tax identification number on file. See: [W-9](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#w9).

**TF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for FRENCH SOUTHERN TERRITORIES.

**TG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TOGO.

**TH**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for THAILAND.

**THB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Thai Baht.

**TIGER**

See: [Treasury Investors Growth Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_investors_growth_receipt)

**TIIS**

See: [Treasury inflation-indexed securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_inflation_indexed_securities)

**TIPS**

See: [Treasury inflation-proteced securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_inflation_protected_securities)

**TITAL**

See: [Transaction insured trade acceptance locator](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_insured_trade_acceptance_locator)

**TJ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TAJIKISTAN.

**TJR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Tajikistan Rouble.

**TK**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TOKELAU.

**TM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TURKMENISTAN.

**TMM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Turkmenistan Manet.

**TN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TUNISIA.

**TND**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Tunisian Dinar.

**TO**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TONGA.

**TOP**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Tonga Pa'anga.

**TP**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for EAST TIMOR.

**TR**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TURKEY.

**TRL**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Turkish Lira.

**TT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TRINIDAD AND TOBAGO.

**TTD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Trinidad and Tobago Dollar.

**TTM**

Trailing 12 months. Often used with [Earnings Per Share](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings_per_share).

**TV**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TUVALU.

**TW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TAIWAN, PROVINCE OF CHINA.

**TWD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Taiwan Dollar.

**TZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for TANZANIA, UNITED REPUBLIC OF.

**TZS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Tanzania Shilling.

**T-period holding-period return**

The percentage [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) over the [T](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#t)-year period an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) is held.

**T+3**

The [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) for [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) such as a stock [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). It refers to the [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) in the brokerage business to settle securities trades by the third day following the trade date. The settlement occurs when the seller receives the sales price (the [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) commission) and the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) receives the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Tabulation Report**

A [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) tally report detailing the current quorum and vote figures on each proposal.

**TAC bonds**

See: [Targeted amortization class bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#targeted_amortization_class_bonds).

**Tactical Asset Allocation (TAA)**

[Portfolio strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_portfolio_strategy) that allows [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) departures from the normal [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) mix according to specified [objective](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#objective) measures of value. Often called [active management](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_management). It involves [forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) asset [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return), [volatilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility), and [correlations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation). The [forecasted](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) may be functions of fundamental variables, economic variables, or even technical variables.

**Tail**

The remaining reserves after a project financing has been repaid. Sometimes refers to the [residual value](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_value).

**Tailgating**

[Purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) by a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) after the broker places an order for the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for a customer. The [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) hopes to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) either because of information which the customer has or because the customer's purchase is of sufficient size to affect [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices. This is an unethical practice.

**Taiwan Stock Exchange (TSEC)**

Established in 1961, the only centralized securities market in Taiwan.

**Take**

(1) To agree to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). A [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) or customer who agrees to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) at another dealer's [offered price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) is said to take the offer. (2) [Euro](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#euro) bankers speak of taking deposits rather than buying [money](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money).

**Take a bath**

To sustain a [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on either a speculation or an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Take a flier**

To speculate on highly [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**"Take it down"**

Reduce the [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) price or [hit](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hit_the_bid) others' [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) to such an extent as to lower the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market).

**"Take me along"**

"Allow me to participate in the side of a particular [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Take off**

A sharp increase in the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), or a positive movement of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) as a whole.

**Take the offer**

[Buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by accepting a [floor broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) ([listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks)) or [dealer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) ([OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)) [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at an agreed-upon volume. Antithesis of [hit the bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hit_the_bid).

**Take-out**

A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds) generated by the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of one [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of another, e.g., selling a block of [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at 99 and [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) another block at 95. Also, a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) made to a seller of a security that is designed (and generally agreed) to take the seller [out of the market](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#away_from_the_market).

**Take-and-pay contract**

An agreement that [obligates](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) the [purchaser](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) to take any product that is [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) (and pay the [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) purchase price) and pay a specified amount if the product is not taken.

**Take a position**

To [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or [sell short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_short); that is to own or to owe some amount on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) or [derivative security](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_security).

**Take a powder**

Temporarily [cancel](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) or [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), while unrepresented interest still exists. See: [Back on the shelf](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#back_on_the_shelf), [sidelines](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sidelines).

**Take a swing**

[Execute](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a price that the [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) feels is higher or more [risky](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) than would normally be acceptable, in order to gain [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) share in the institutional arena.

**Takedown**

The [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of each [participating](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#participating_buyer_seller) [investment banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) in a new or a [secondary offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering), or the price at which the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are distributed to the different members of an [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) group.

**Takeout**

A financing to refinance or take out another [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan).

**Takeover**

General term referring to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) from one group of [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to another group of shareholders. Change in the controlling interest of a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation), either through a friendly [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquisition) or an unfriendly, [hostile](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover), [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid). A hostile [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) (with the aim of replacing current existing management) is usually attempted through a [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Takeover target**

A [company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) that is the object of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempt, friendly or [hostile](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover).

**Take-up fee**

A fee paid to an [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) in connection with an [underwritten](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [rights offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rights_offering) or an underwritten [forced conversion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forced_conversion). Represents [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for each share of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) the underwriter obtains and must resell upon the [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of rights or [conversion of bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond).

**Takes a call**

Requires a phone call to an account in order for a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to be completed. See: [Show me](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#show_me_buyer_seller).

**Takes price**

Requiring some price movement or [concession](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#concession) on behalf of the initiating party before a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) can be consummated. See: [Price give](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_give).

**Taking delivery**

When the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) actually assumes possession from a seller of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) agreed upon in a [forward contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_contract) or a [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Taking a view**

A London expression; means forming an opinion as to where [market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) are headed and acting on it.

**Tandem programs**

[Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae) mortgage funds provided at below-market rates to residential [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) buyers with FHA Section 203 and 235 loans and to developers of multifamily projects with Section 236 loans initially and later with Section 221(d)(4) loans.

**Tangible asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) whose value depends on particular physical properties. These include [reproducible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reproducible_assets) such as buildings or machinery and [non-reproducible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#non_reproducible_assets) such as land, a mine, or a work of art. Also called [real assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_assets). Converse of: [Intangible asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset)

**Tangible net worth**

Total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) [intangible assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intangible_asset), which include [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent) and copyrights, and total [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability).

**Tangibility**

Characteristic that an [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) can be used as [collateral](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) to secure [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt).

**Tape**

(1) Service that reports prices and sizes of transactions on major [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)-[ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape). (2) [Dow Jones](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) and other news wires. See: [Consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape).

**Tape is late**

When the [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) is so heavy that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) appear on the [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape) more than a minute behind the timer they actually take place.

**Tare Weight**

The weight of an empty container and any packaging materials used in the container.

**Tariff**

A tax on imports or exports.

**Target cash balance**

Optimal amount of [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) for a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold), considering the trade-off between the [opportunity costs](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#opportunity_costs) of [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) too much cash and the [trading costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_costs) of holding too little cash.

**Target company**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). [Firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) chosen as an attractive [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) candidate by a potential [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer). The acquirer may [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) up to 5% of the [target's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) without [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [disclosure](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#disclosure), but it must [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) all transactions and supply other information to the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission), the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) the target company is listed on, and the target company itself once the 5% threshold is hit. See: Raider.

**Target firm**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that is the object of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) by another firm.

**Target investment mix**

The percentage mix of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), and [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [reserves](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reserve) that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) considers appropriate based on his/her personal objectives, time horizon, [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) tolerance, and [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) resources.

**Target Leverage Ratio**

The ratio of the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to the total market value of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) seeks to maintain.

**Target payout ratio**

A [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) long-run dividend-to-earnings ratio. The firm's policy is to attempt to pay out a certain percentage of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings), but it pays a [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) dollar dividend and adjusts it to the target as base line increases in [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) occur.

**Target price**

In the context of [takeovers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover), the price at which an acquirer aims to buy a [target firm](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company).   
In the context of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), the price of the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) at which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) will become [in the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money).   
In the context of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), the price that an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) hopes a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) will reach in a certain time period.

**Target zone arrangement**

A monetary system under which countries pledge to maintain their [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) within a specific [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) around agreed-upon, fixed central [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Target zones**

Implicit boundaries on [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) established by [central banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank).

**Targeted registered offerings**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) sold to "targeted" foreign [financial\_institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) according to U.S. [Securities and Exchange Commission](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission) guidelines. These foreign institutions then maintain a [secondary market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_market) in the foreign market.

**Targeted repurchase**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) back of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) from a potential [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer), usually at a substantial [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium), to forestall a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) attempt. Related: [Greenmail](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#greenmail).

**Targeted Amortization Class (TAC) bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) offered as a [tranche](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tranche) [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of some [CMOs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateralized_mortgage_obligation), according to a [sinking fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund) schedule. They differ from [PAC bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pac_bond) whose [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) is [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) as long as prepayments on the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) do not exceed certain limits. A TAC's schedule is met at only one prepayment rate.

**Tax anticipation bills (Tabs)**

Special bills that the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities) occasionally [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that [mature](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) on corporate [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) dates and can be used at [face value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#face_value) by [corporations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to pay their [tax liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability).

**Tax Anticipation Notes (Tans)**

Notes [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by states or municipalities to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) current operations in anticipation of future tax [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts).

**Tax arbitrage**

Trading that takes advantage of a difference in [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) or tax systems as the basis for [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Tax audit**

[Audit](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#audit) by the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) or other [tax-collecting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collection) [agency](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) to determine whether a taxpayer has paid the correct amount of tax.

**Tax avoidance**

Minimizing tax burden through legal means such as tax-free [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), [tax shelters](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter), [IRA](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_retirement_account) accounts, and [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust). Compare with [tax evasion](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_evasion).

**Tax base**

The [assessed value](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#assessed_valuation) of the taxable property, [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), and income within a specific geographic area.

**Tax basis**

In the context of [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), the original [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) less [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) that is used to determine gains or losses for tax purposes.   
In the context of [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) plus the [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission).

**Tax books**

Records kept by a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) that follow IRS rules. The [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) follow [Financial Accounting Standards Board](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_accounting_standards_board) rules.

**Tax bracket**

The percentage of tax [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) for a particular [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income).

**Tax clawback agreement**

An agreement to contribute as [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) to a project the value of all previously realized project-related tax benefits not already clawed back. [Exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) to the extent required to cover any [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) deficiency of the project.

**Tax clientele**

Categories of [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) who have specific preferences for [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) because of differences in their personal tax rates.

**Tax credit**

A direct dollar-for-dollar reduction in tax allowed for [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) such as child care and R&D for building low-income housing. Compare [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction).

**Tax-deductible**

The effect of creating a [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction), such as charitable [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) and [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest).

**Tax deduction**

An [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) that a taxpayer is allowed to [deduct](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) from [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income).

**Tax-deferred income**

[Dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest), and unrealized [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) on [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) in an account such as a [qualified retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan), where income is not subject to taxation until a withdrawal is made.

**Tax deferral option**

Allowing the [capital gains tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) on an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to be payable only when the gain is realized by selling the asset.

**Tax-deferred retirement plans**

Employer-sponsored and other plans that allow [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) and [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) to be made and [accumulate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accumulate) tax-free until they are paid out as benefits.

**Tax differential view (of dividend policy)**

The view that [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) prefer [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) over [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), and hence low [payout ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#payout_ratio), because capital gains are effectively taxed at lower rates than dividends.

**Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA)**

Legislation to increase tax revenue by eliminating various taxation loopholes and instituting tougher enforcement procedures in collecting taxes.

**Tax-equivalent yield**

The pre-tax [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) required from a taxable [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in order to equal the tax-free [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond).

**Tax evasion**

Illegal by reducing tax burden by underreporting income, overstating [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction), or using illegal [tax shelters](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter).

**Tax-exempt bond**

A bond usually issued by municipal, county, or state governments whose interest payments are not subject to federal and, in some cases, state and local [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Tax-exempt income**

[Dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) not subject to federal and, in some cases, state and local [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Tax-exempt income fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that seeks income that is exempt from federal and, in some cases, state and local [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Tax-exempt money market fund**

A [money market fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund) that invests in [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) tax-exempt municipal [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Tax-exempt sector**

The [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) where state and local governments raise funds. Bonds [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in this [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) are exempt from federal [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax).

**Tax-exempt security**

An [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) whose interest is tax-exempt, often called a [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond), offered by a country, state, town, or any political district.

**Tax free acquisition**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [consolidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidation) in which (1) the [acquirer's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) [tax basis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_basis) on each [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) whose ownership is [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) in the transaction is generally the same as the [acquiree's](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree), and (2) each seller who receives only [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) does not have to pay any tax on the gain realized until the shares are sold.

**Tax haven**

A nation with a moderate level of taxation and/or liberal tax incentives for undertaking specific activities such as exporting or investing.

**Tax haven affiliate**

A wholly owned entity in a low-tax jurisdiction that is used to channel funds to and from a multinational's foreign operations. The tax benefits of tax haven affiliates were largely removed in the US by the [Tax Reform Act of 1986](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_reform_act_of_1986).

**Tax holiday**

A reduced [tax rate](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) that a government provides as an inducement to foreign direct [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Tax liability**

The amount in taxes a taxpayer to the government.

**Tax lien**

The right of the government to enforce a claim against the property of a person owing taxes.

**Tax and loan account**

An account at a private bank, held in the name of the district [Federal Reserve Bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_bank), which [holds](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) operating [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) for the business of the US [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury).

**Tax loss carryback, carryforward**

A tax benefit that allows business [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) to be used to reduce [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability) in previous and or following years.

**Tax-neutrality**

Characteristic that taxes do not interfere with the natural flow of [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) toward its most productive use.

**Tax planning**

Devising [strategies](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy) throughout the year in order to minimize [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability), for example, by choosing a tax filing status that is most beneficial to the taxpayer.

**Tax preference item**

Items that must be included when calculating the alternative minimum tax.

**Tax preparation services**

[Firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that prepare tax returns for a fee.

**Tax rate**

The percentage of tax paid for different levels of income.

**Tax Reduction Strategy**

A source of competitive advantage that depends on differences in the [tax rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_rate) imposed in different locations.

**Tax Reform Act of 1976**

Legislation aimed at tightening provisions relating to taxation, including changes in the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) tax laws.

**Tax Reform Act of 1984**

Legislation enacted as part of the Deficit Reduction Act of 1984 to reduce the federal [budget deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget_deficit). Among its provisions are a decrease in the minimum [holding period](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period) for [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to qualify for [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) treatment from one year to six months.

**Tax Reform Act of 1986**

A 1986 law involving a major overhaul of the US tax code.

**Tax Reform Act of 1993**

See: [Revenue Reconciliation Act of 1993](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revenue_reconciliation_act_of_1993)

**Tax refund**

Money back from the government when too much tax has been paid or withheld from a salary.

**Tax schedules**

Tax forms used to [report](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) itemized [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction), [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_income) and interest income, [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) from a business, [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) and losses, [supplemental income](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#supplemental_security_income) and loss, and [self-employment tax](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_employment_tax).

**Tax selling**

Selling of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) to realize losses that will offset [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) and reduce [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability). See: [Wash sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wash_sale).

**Tax shelter**

Legal methods taxpayers can use to reduce [tax liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability). An example is the use of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Tax-sheltered annuity**

A type of [retirement plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_retirement_plan) under Section 403(b) of the [Internal Revenue Code](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_code) that permits employees of public educational organizations or tax-exempt organizations to make [before-tax contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#before_tax_contributions) via a [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) reduction agreement to a [tax-sheltered](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) retirement plan. Employers are also allowed to make direct contributions on behalf of employees.

**Tax shield**

The reduction in [income taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) that results from taking an allowable [deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) from [taxable income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income).

**Tax software**

Computer software designed to assist taxpayers in filling out tax returns and minimizing [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability).

**Tax status election**

The decision of the status under which to file a tax return. For example, a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) may file as a C corporation or an S corporation.

**Tax straddle**

Technique used in [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to create tax benefits. For example, an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) with a [capital gain](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) takes a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) creating an artificial [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) in the current tax year and postponing a gain from the [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) until the next tax year.

**Tax swap**

[Swapping](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap) two similar [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) to receive a tax benefit.

**Tax-timing option**

The option to sell an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and claim a loss for tax purposes or not sell the asset and defer the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) tax.

**Tax umbrella**

Tax loss carryforwards from previous business losses that form a [tax shelter](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) for [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) earned in current and future years.

**Taxpayer Relief Act of 1997**

Legislation forming part of a larger act designed to balance the federal budget. Some of the legislation's provisions included [tax credits](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_credit) for taxpayers supporting children, an increase in the amount that could be excluded from [estate taxes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax), and a lower [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) tax rate.

**Taxable acquisition**

A [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or [consolidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidation) that is not a [acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_free_acquisition). The selling [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) are treated as having sold their [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Taxable equivalent yield**

The [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) from a higher-paying but taxable investment that would equal the return from a tax-free investment. This depends on the [investor's](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) [tax bracket](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_bracket).

**Taxable estate**

That portion of a deceased person's estate that is subject to [transfer tax](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_tax).

**Taxable event**

An event or [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) that has a tax consequence, such as the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [holding](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) that is subject to [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) taxes.

**Taxable income**

Gross income less a variety of [deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction).

**Taxable municipal bond**

Taxed [private-purpose bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#private_purpose_bond) issued by the state or local government to [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) prohibited projects such as sports stadiums.

**Taxable transaction**

Any transaction that is not tax-free to the parties involved, such as a [taxable acquisition](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_acquisition).

**Taxable year**

The 12-month period an individual uses to report income for [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) purposes. For most individuals, their tax year is the calendar year.

**Tear sheet**

A page from an [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that provides information on thousands of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), often sent to prospective [purchasers](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase).

**Teaser rate**

A low initial [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on an [adjustable-rate mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate_mortgage) to entice [borrowers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow), that is later eliminated and replaced by a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market)-level rate.

**Technical analysis**

[Security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) analysis that seeks to detect and interpret patterns in past [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices).

**Technical analysts**

Also called [chartists](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#chartists) or [technicians](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technician), [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) who use mechanical rules to detect changes in the supply of and demand for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), and to [capitalize](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization) on the expected change.

**Technical condition of a market**

Demand and supply factors affecting price, in particular, the [net position](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_position), either [long](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long) or [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short), of the [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) community.

**Technical descriptors**

[Variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) that are used to describe the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in terms of patterns in historical data.

**Technical forecasting**

A [forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forecasting) method that uses historical prices and [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Technical Information**

Information related to the momentum of a particular [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable). In [market analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_analysis), technical information is information related to market dynamics and [crowd](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crowd_trading) behavior only.

**Technical insolvency**

[Default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on a legal [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm). Technical [insolvency](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent) occurs when a firm doesn't pay a bill on time.

**Technical rally**

[Short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) rise in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price) in the face of a general declining [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend). Such a [rally](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rally) may result because [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) are [bargain hunting](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bargain_hunter) or because [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) have noticed a particular [support level](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support_level) at which securities usually bounce up. Antithesis of [correction](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correction).

**Technical sign**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in the [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) recognize as significant.

**Technician**

Related: [Technical analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysts)

**TED spread**

Difference between [US Treasury bill](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#us_treasury_bill) rate and [Eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) rate; used by some [traders](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) as a measure of investor/trader anxiety or [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) quality.

**Teeny**

1/16 or 0.0625 of one full point in price. [Steenth](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#steenth).

**Tel Aviv Stock Exchange**

Israel's only [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Telephone switching**

Moving one's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) from one [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) or variable annuity to another by telephone.

**Temporal method**

A [currency translation](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency_translation) method under which the choice of [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate) depends on the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) method of valuation. [Assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) and [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) valued at [historical cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#historical_cost) ([market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost)) are translated at the historical (current market) rate.

**Temporary Assets**

That portion of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) that fluctuates in response to seasonal or anticipated [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term).

**Temporary Financing**

The sum of negotiated [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities) and temporary [spontaneous current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spontaneous_current_liabilities).

**Temporary investment**

A [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), such as a [money market fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund), [Treasury bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills), or short-term [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit), which is usually held a year or less.

**Ten largest holdings**

The percentage of a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) total [net assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_assets) or [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [holdings](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) in its ten largest [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position). As this percentage rises, a [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) are likely to be more volatile because they are more dependent on the fortunes of fewer [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**10% guideline**

The standard [analysts'](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) principle that [funded debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funded_debt) over 10% of the assessed valuation of taxable property for a municipality is excessive.

**10-K**

[Annual report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) each year. Provides a comprehensive overview of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) state of business. Must be filed within 90 days after [fiscal year-end](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiscal_year_end). A 10-Q report is filed [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly).

**10-Q**

[Quarterly report](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annual_report) required by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) each [quarter](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly). Provides a comprehensive overview of a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) state of business.

**1040 form**

The standard [individual tax return](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#individual_tax_return) form of the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service).

**1099**

A statement sent to the [IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) and taxpayers by the payers of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and by [issuers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of taxable original [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) securities.

**1099 B**

The tax statement used for [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) [proceeds](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proceeds) resulting from the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale), [redemption](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) or [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**1099 DIV**

The tax statement used for [reporting](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) paid to registered shareholders.

**Ten-Day Rule**

The New York Stock Exchange rule permitting [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) (brokers) to vote in favor of [management](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#management) ten days or less before the meeting, provided that the member firm mailed [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) material to beneficial owners at least 15 business days before the meeting. The rule allows many [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to be voted, which would otherwise not be, to reach a quorum, approve the choice of directors and auditors and handle other routine matters. This rule does not apply to banks, their nominees or their depository positions, nor to non-routine proposals such as approval for the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) to issue more [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Tenant**

A partial owner of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), or the [holder](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) of some property. See: [Lessee](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lessee).

**Tenants by Entireties (TEN ENT)**

Joint ownership of property or [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) by a husband and wife where, upon the death of one, the property goes to the survivor.

**Tenants in common**

Account [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) in which two or more individuals own a certain proportion of an account. Each tenant's proportion is distributable as part of the owners estate, so that if one of the account holders dies, that owner's heirs are entitled to that proportional share of the account.

**Tenbagger**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that grows in value ten-fold.

**Tender**

To [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) for [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) against [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures).

**Tender offer**

General [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) made [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) and directly to a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) their [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at a price well above the current value [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices).

**Tender offer premium**

The [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) offered above the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) in a [tender offer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Tenor**

The length of time until a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) is due. For example, a loan is taken out with a two year tenor. After one year passes, the tenor of the loan is one year.

**Term**

The period of time during which a [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) is in force.

**Term bonds**

[Bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) whose [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) is payable at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Often referred to as bullet-[maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or simply bullet bonds. Related: [Serial bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#serial_bonds).

**Term certificate**

A [certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) with a longer time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Term Fed funds**

[Fed funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_funds) sold for a period of time longer than overnight.

**Term insurance**

Provides a death benefit only, no build up of cash value.

**Term life insurance**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that provides a death benefit but no [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) build up or investment component. The [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) remains constant only for a specified term of years, and the policy is usually renewable at the end of each term.

**Term loan**

A bank [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan), typically with a [floating interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note), for a specified amount that [matures](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mature) in between one and ten years, and requires a specified repayment schedule.

**Term to maturity**

The time remaining on a [bond's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) life, or the date on which the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) will cease to exist and the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) will have completely paid off the amount [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow). See: [Maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Term premiums**

Excess of the [yields to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) on [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) over those of [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) bonds.

**Term repo**

A [repurchase agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_agreement) with a [term](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of more than one day.

**Term structure of interest rates**

Relationship between [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of different [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), usually depicted in the form of a graph often called a [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve). Harvey shows that inverted term structures (long rates below short rates) have preceded every [recession](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recession) over the past 30 years.

**Term trust**

A [closed-end fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closed_end_fund) that has a fixed termination or [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Terminal value**

The value of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), typically its [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value), or the value of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) (or an entire [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm)) on some specified future valuation date. Usually, a [perpetuity](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#perpetuity) formula is used. For example, suppose we forecast cash flows through year 10. We make an assumption that year 11 and beyond will be no growth (except for [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation)). If the cash flow forecast for year 11 is 100, the [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) discount rate is 12%, and inflation is expected to be 2%, we use the formula V10 = CF11/(disc rate-inflation). Hence, the value is 100/(0.12 - 0.02) that is 1,000. This cash flow needs to be brought back to [present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#present_value) using the formula 1000/(1.12)10, which is 321.97. Note the importance of the inflation assumption.

**Terms of Delivery**

The part of a [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that indicates the point at which title and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of loss of merchandise pass from the seller to the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). See: [Incoterms](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#incoterms).

**Terms of sale**

Conditions under which a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) proposes to sell its goods or services for [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit).

**Terms of trade**

The weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of a nation's export prices relative to its import prices.

**Territorial tax system**

A tax system that taxes domestic income but not foreign income. Territorial tax regimes are found in Hong Kong, France, Belgium, and the Netherlands.

**Test**

The event of a [price movement](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_price_movement) that approaches a [support level](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#support_level) or a [resistance level](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resistance_level) established earlier by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). A test is passed if prices do not go below the support or resistance level, and the test is failed if prices go on to new lows or highs.

**Testamentary trust**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) created by a will, that is scheduled to occur after the maker's death.

**The Curb**

Another name for the [American Stock Exchange (AMEX)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange).

**The Desk**

The [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) desk at the Federal REserve Bank of New York through which [open](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) market [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) and [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of government and federal agancy securities are made. The desk maintains direct telephone communication with major government securities dealers. A "foreign desk" at the Federal Reserve Bank of New York conducts transactions in the foregin exchange market.

**Theoretical futures price**

The [equilibrium](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equilibrium) [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price). Also called the [fair price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_price).

**Theoretical spot rate curve**

A curve derived from theoretical considerations as applied to the [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of actually [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [debt securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities), because there are no [zero-coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) Treasury [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) greater than one year. Like the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) curve, this is a graphic depiction of the [term structure of interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates).

**Theoretical value**

Applies to derivative products. Mathematically determined value of a [derivative instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments) as dictated by a pricing model such as the [Black-Scholes model](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#black_scholes_option_pricing_model).

**Theta**

The ratio of the change in an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) price to the decrease in [time to expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity). Also called [time decay](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_decay).

**Thin market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) is low, and consequently [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) quotes are wide and the [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is not very liquid. Very little [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell.

**Thinly traded**

Infrequently [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Third market**

[Exchange-listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_stocks) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) in the [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market.

**Thirty-day visible supply**

The total [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) in dollars of [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) with [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of 13 months or more that should reach the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) within 30 days.

**Thirty-day wash rule**

[IRS](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) rule stating that [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) on a [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) may not be used as [tax shelter](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_shelter) if equivalent [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) 30 days or less before or after the sale of the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Three-phase DDM**

A version of the [dividend discount model](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_discount_model) that applies a different expected [dividend rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_rate) depending on a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [life-cycle](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#life_cycle) phase: [growth phase](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_phase), [transition phase](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transition_phase), or [maturity phase](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_phase).

**Three steps and a stumble rule**

A rule predicting that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) prices will fall following three increases in the [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) by the [Federal Reserve](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_reserve_system). This is a result of increased [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) for [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and the increased attractiveness of [money market funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market_fund) and [CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) over [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) as a result of the higher [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate).

**Threshold for refinancing**

The point when the [weighted-average coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_coupon) of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) is at a level to induce homeowners to [prepay](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prepayments) the mortgage in order to [refinance](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#refinancing) to a lower-rate mortgage, generally reached when the [weighted-average coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_coupon) of the MBS is 2 percentage points or more above currently available mortgage rates.

**Thrift institution**

An organization formed as a depository for primarily consumer savings. [Savings and loan associations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association) and savings banks are thrift institutions.

**Thrift Institution Advisory Council (TIAC)**

A council, established following the passage of the Monetary Control Act of 1980, whose purpose is to provide information and views on the special needs and problems of thrifts. The group is comprised of representatives of savings banks, savings and loan associations, and [creditor](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) unions.

**Thrift plan**

A [defined contribution plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_contribution_plan) in which an [employee contributes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#employee_contribution), usually on a [before-tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#before_tax_contributions) basis, toward the ultimate benefits that will be provided. The employer usually agrees to match all or a portion of the employee's contributions.

**Throughput agreement**

An agreement to put a specified amount of product per period through a particular facility. An example is an agreement to ship a specified amount of crude oil per period through a particular pipeline.

**Tick**

Refers to the minimum change in price a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) can have, either up or down. Related: [Point](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#point).

**Tick indicator**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) based on the number of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) whose last [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) was an [uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade) or a [downtick](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#downtick). Used as an indicator of market sentiment or psychology to try to predict the market's [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Tick-test rules**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)-imposed restrictions on when a [short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale) may be [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution), intended to prevent [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) from destabilizing the price of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) when the [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) is falling. A short sale can be made only when either (1) the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) price of the particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is higher than the last [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) price (referred to as an [uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade) trade) or (2) if there is no change in the last [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) price of the particular stock, the previous trade price must be higher than the trade price that preceded it (referred to as a [zero uptick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_uptick)).

**Ticker symbol**

An abbreviation assigned to a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) purposes.

**Ticker tape**

Computerized device that relays to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) around the world the [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) and the latest price and volume on [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) as they are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Ticket**

An abbreviation of [order ticket](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order_ticket).

**Tier 1 and Tier 2**

Descriptions of the [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) adequacy of banks. Tier 1 refers to core capital while Tier 2 refers to items such as undisclosed resources.

**Tight**

[In line](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_line) with or extremely close to the [inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) or last [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) in a stock (+/- 1/8). [On the money](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#on_the_money).

**Tight market**

A market in which [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) is high, [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) and highly competitive, and consequently [spreads](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asked_price) are narrow.

**Tight money**

When a [restricted](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted) money supply makes [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) difficult to secure. The antithesis of tight money is [easy money](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#easy_money).

**Tiki**

Tick of [Dow Jones](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dow_jones_industrial_average) Industrial Average component [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Tilted portfolio**

An [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy)y that is linked to [active management](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active_management) through the emphasis of a particular [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector), selected performance [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) such as [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) [momentum](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#momentum), [dividend yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_yield), [price-earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e_ratio), or selected economic factors such as [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation).

**Time decay**

Related: [Theta](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#theta)

**Time deposit**

Interest-bearing deposit at a [savings institution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#savings_and_loan_association) that has a specific [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Related: [Certificate of deposit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit).

**Time draft**

Demand for payment at a stated future date.

**Time horizon**

The period, usually expressed in years, for which an [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) expects to hold an investment.

**Time Letter of Credit**

See: [Usance Letter of Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#usance_letter_of_credit).

**Time to maturity**

The time remaining until a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) expires. Also called [time until expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_until_expiration).

**Time order**

[Order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) that becomes a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) or [limited price order](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_price_order) or is [canceled](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cancel) at a specific time.

**Time premium**

Also called [time value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value), the amount by which an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) price exceeds its [intrinsic value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value). The value of an option beyond its current [exercise value](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_value) representing the optionholder's [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) until [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration), the [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying), and the [riskless return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate_of_return).

**Time-series analysis**

Assessment of relationships between two or among more [variables](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) over periods of time.

**Time series models**

Systems that examine [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) of historical data; sometimes used as a means of [technical forecasting](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_forecasting), by examining moving averages.

**Time spread strategy**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [puts](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) and [calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) with the same [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) but different [expiration dates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date), and trying to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from the different [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) of the [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option).

**Time until expiration**

The time remaining until a [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) expires. Also called [time to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity).

**Time value**

Applies to derivative products. Portion of an [option price](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) that is in excess of the [intrinsic value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value), due to the amount of [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) in the stock; sometime referred to as [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium). Time value is positively related to the length of time remaining until [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration).

**Time value of money**

The idea that a dollar today is worth more than a dollar in the future, because the dollar received today can earn [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) up until the time the future dollar is received.

**Time value of an option**

The portion of an option's [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) that is based on the amount of time remaining until the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) of the [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract), and the idea that the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) components that determine the value of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) may change during that time. [Time value](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_value) is generally equal to the difference between the premium and the [intrinsic value](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intrinsic_value). Related: [In the money](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#in_the_money).

**Time value permium**

The amount by which an option's total premium exceeds its intrinsic value.

**Times-interest-earned ratio**

[Earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) before [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and tax, divided by [interest payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_payments).

**Time-weighted rate of return**

Related: [Geometric mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#geometric_mean_return) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return)

**Time-Zone Arbitrage**

A form of [stale price arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stale_price_arbitrage) where the pricing discrepencies are due to the primary markets for the underlying securities being closed at the times that the fund is traded. Note that time zone arbitrage is sometimes mistakenly used if it were a pure synonym for stale price arbitrage. These are not synonyms since stale prices can also be due to illiquid stocks or bonds that are not traded frequently.

**Timeliness**

A source of competitive advantage that depends on being the first to enter a given [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) with a product or service.

**Timing**

See: [Market timing](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_timing)

**Timing option**

The seller's choice of when in the [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) month to deliver. A [Treasury Bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) or [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract).

**Tip**

Information given by one [trader](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) to another, which is used in making buy or sell decisions but is not available to the general public.

**Tired**

Has been strong for a while and will probably fall due to increased supply at current price level (due to e.g. [profit taking](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit_taking), [technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis)). [Heavy](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#heavy).

**Title insurance**

[Insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that protects a [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) from future challenges to the title claim a property that may result in [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) of the property.

**To be announced (TBA)**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) or [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) to be delivered at an agreed-upon future date but does not include a specified [pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pool) number and number of pools or precise amount to be [delivered](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery).

**Tobin's Q**

[Market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) divided by [replacement value](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replacement_value) of assets. A Tobin's Q ratio greater than 1 indicates the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) has done well with its investment decisions. Named after James Tobin, Yale University economist.

**Toehold purchase**

Often used in [risk arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_arbitrage). Accumulation by an [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) of less than 5% of the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [target company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company). Once 5% is acquired, the acquirer must file with the SEC and other [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency) to explain its intentions and notify the [acquiree](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree). See: [Rule 13d](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_13d).

**Tokyo Commodity Exchange (TOCOM)**

Tokyo [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on gold, silver, platinum, palladium, rubber, cotton yarn, and woolen yarn.

**Tokyo International Financial Futures Exchange**

[Exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) Euroyen [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), and [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on the one-year Euroyen, three-month [eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar), and US dollar/Japanese yen [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency).

**Tokyo Stock Exchange (TSE)**

The largest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) in Japan with the some of the most [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the world.

**Toll revenue bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) that is repaid with revenues from tolls that are paid by users of the public project built with the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) revenue.

**Tolling agreement**

An agreement to put a specified amount of [raw material](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#raw_material) per period through a particular processing facility. For example, an agreement to process a specified amount of alumina into aluminum at a particular aluminum plant.

**Tom next**

Means to "tomorrow next". In the [interbank market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interbank_market) in [Eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) deposits and [the foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) market, the value ([delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery_date)) date on a tom next [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) is the next business day.

**Tombstone**

Advertisement listing the [underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Ton**

$100 million in [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [trader's](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#traders) [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term).

**too-big-too-fail**

Government practices that protect large banking organizations from the normal discipline of the marketplace because of concerns that such institutions are so important to markets and their positions so intertwined with those of other banks that their failure would be unaccrptably disruptive, financially and economically.

**Top**

Indicates the higher price one is willing to pay for a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in an [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order); implies a [not held order](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#not_held_order).

**Top-down approach**

A method of [security selection](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_selection) that starts with asset allocation and works systematically through [sector](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) and [industry](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry) allocation to individual [security selection](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security_selection).

**Top-down equity management style**

[Investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) style that begins with an assessment of the overall economic environment and makes a general [asset allocation decision](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_allocation_decision) regarding various [sectors](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sector) of the [financial markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_market) and various [industries](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#industry). The [bottom-up manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bottom_up_equity_management_style), in contrast, selects specific [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) within the particular sectors.

**Top-heavy**

At a price level where supply is exceeding demand. See: [Resistance level](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#resistance_level).

**Topline growth**

Growth in revenues. Refers to overall growth rather than segment growth. Also see: [Bottomline growth](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bottomline_growth).

**Topline performance**

Usually refers to overall earnings for a corporation (as opposed to earnings by segment).

**Topping out**

Denoting a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) or a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is at the end of a period of rising [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) and can now be expected to stay on a plateau or even to decline.

**Toronto Stock Exchange (TSX)**

Canada's largest [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) which was founded in 1861, the trading floor closed in 1997 and it became a completely electronic exchange. As of 2000, the TSX became a private company. In 2001, the TSX acquired the Canadian Venture Exchange which was renamed the TSX Venture Exchange. The average stock price is represented by the S&P/TSX Composite Index (which replaced the TSE 300 on May 1, 2002).

**Total**

Complete amount of [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell interest, as opposed to having [more behind it](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#more_behind_it). See: [Partial](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partial).

**Total asset turnover**

The ratio of net sales to total [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Total capitalization**

The total [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and all types of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) of a company that constitutes its [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) structure.

**Total cost**

The price paid for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) plus the [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) and any accrued interest that is owed to the seller (in the case of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond)).

**Total debt-to-equity ratio**

A [capitalization ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capitalization_ratios) comparing [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities) plus [long-term](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_term) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders)' [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Total dollar return**

The [dollar return](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_return) on a nondollar [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment), which includes the sum of any [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend)/interest income, [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) or [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss), and [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) [gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) or losses on the investment. See also: [Total return](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total_return).

**Total Market Capitalization**

The total [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of all of a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Total return**

In performance measurement, the actual [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) realized over some [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period). In fixed income analysis, the potential return that considers all three sources of return (coupon interest, [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) on coupon interest, and any [capital gain/loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_loss)) over some investment horizon.

**Total return for calendar year**

The [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) realized by an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) at the end of a specified calendar year, [stated](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stated_value) as the percentage [gained](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gain) or lost per dollar invested on January 1.

**Total revenue**

Total [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) and other revenue for the period shown. Known as "turnover" in the U.K.

**Total risk**

The sum of [systematic and unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk).

**Total volume**

The total number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) or [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on national and regional [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), future, or [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on a certain day.

**Touch, the**

Mainly applies to international equities. [Inside market](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inside_market) in London terminology.

**Tough on price**

Firm price mentality at which one wishes to transact [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), often at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount)/[premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) that is not available at the time.

**Tout**

To promote a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in order to attract buyers.

**Toxic Convertible**

Used by companies that are in such bad shape, that there is no other way to get financing. This instrument is similar to a convertible bond, but convertible at a discount to the share price at issuance and for a fixed dollar amount rather than a specific number of shares. The further the stock falls, the more shares you get. Popular in the mid to late 1990s. Also known as death spiral convertibles or floorless convertibles.

**Tracers**

Refers to investment trusts which are populated by corporate bonds. In October 2001, Morgan Stanley's Tradable Custodial Receipts (Tracers) was launched. Tracers contain a number of coporate bonds and credit default swaps which are selected for liquidity and diversity. Lehman Brothers launched a similar product, Targeted Return Index Securities (Trains) in January 2002. Both contain investment grade bonds. If a bond falls out of the investment grade category, it is either liquidated from the trust or delivered to the investor. Both Tracers and Trains are 144a trust structures and are only available to qualified buyers because they are considered private securities due to the trust structure.

**Tracking error**

In an [indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indexing) [strategy](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strategy), the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the difference between the performance of the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) and the [replicating portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#replicating_portfolio).

**Tracking stock**

Best defined with an example. Suppose Company A [purchases](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) a business from Company B and pays B with 1 million [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of A's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock). The agreement provides that B cannot sell the 1 million shares for 60 days, and also prohibits B from [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedging) by [purchasing](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) [put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) on A's shares or short-selling A's shares. B is worried that the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) may fall in the next 60 days. B could hedge by purchasing put options or selling the [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on the S&P 500. However, it is possible that A's business is much more cyclical than the S&P 500. One solution to this problem is to find a tracking stock. This is a stock that has high [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) with A. Let us call it Company C. The solution is to sell [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) or buy [protective put options](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#protective_put_buying_strategy) on this tracking stock C. This protects B from [fluctuations](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) in the price of A's stock over the next 60 days. Because the degree of the protection is related to the [correlation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation) of A and C's stock, it is extremely unlikely that the protection is perfect. Multidivisional firms have used a form of restructuring called tracking stock since 1984 to segment the performance of a particular division -- similar to a spin-off or carve-out, except that the parent firm does not relinquish control of the tracked division. Previously, this was known as alphabet stock, but the technically correct name is tracking stock (e.g., EDS traded for years as a tracking stock of GM). This is a way to reward managers for good divisional performance with an [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) that is tied to their division-rather than potentially penalizing them [compensation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#compensation) for bad performance in a division they have no [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) over.

**Trade**

An oral (or electronic) transaction involving one party [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) from another party. Once a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) is consummated, it is considered "done" or final. [Settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) occurs 1-5 business days later.

**Trade acceptance**

Written demand that has been accepted by an industrial company to pay a given sum at a future date. Related: [Banker's acceptance](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankers_acceptance).

**Trade away**

[Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [execution](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) by another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Trade balance**

Overall result of a country's exports.

**Trade credit**

[Credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) one [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) grants to another firm for the [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of goods or services. That is, when the goods are delivered, the recipient does not have to pay immediately for the goods - a credit is given with terms for payment (say 30 days). This potentially allows the vendor to sell the goods and use the sale proceeds payoff the credit obligation.

**Trade date**

The date that the [counterparties](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#counterparties) in an [interest rate swap](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate_swap) commit to the [swap](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#swap). Also, the day on which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or a [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) future [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) actually takes place. [Trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) generally settle (are paid for) 1-5 business days after a [trade date](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_date). With [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) is generally 3 business days after the trade. The [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date) usually follows the trade date by five business days, but varies depending on the transaction and method of [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) used.

**Trade debt**

[Accounts payable](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accounts_payable).

**Trade deficit or surplus**

The difference in the value of a nation's imports over exports ([deficit](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deficit)) or exports over imports (surplus).

**Trade draft**

A [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) addressed to a commercial enterprise. See: [Draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Trade finance**

Usually refers to financial transactions involving the exports and imports. This could involve payment facilities, downpayments, hedging, guarantees, and transportation linked issues.

**Trade flat**

For convertibles, [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) without [accrued interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest). [Preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock) always "trades flat," as do [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on which [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) is in default or is in doubt. In general, trade in and out of a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) at the same price, neither making a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) nor taking a loss.

**Trade house**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that deals in actual [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity).

**Trade Lanes**

The direction of trade, e.g. US to Europe.

**"Trade me out"**

Work out of one's [long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) (usually created by committing firm [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) to complete a [trade block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) trade) by selling stock. Antithesis of "[buy them back](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_them_back)."

**Trade on the wire**

Immediately give a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to a salesperson without checking the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) conditions (listed), [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) depth ([OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.)) or customer interest. An [aggressive](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#aggressively) [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) posture.

**Trade on top of**

[Trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) at a narrow speed or no [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) in [basis points](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis_point) relative to some other [bond yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_equivalent_yield), usually [Treasury bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds).

**Trade reporting**

Dealer: In a trade between two registered Market Participants (MP), only the sell side reports the trade. Auction: In a trade between two [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm), only the sell side reports the trade. Dealer: In a trade between a registered MP and a non-registered MP (Market Maker not registered in a particular stock, an ECN, etc.), the registered MP reports the trade as a buy or sell. Auction: Trading can occur ONLY between two member firms. (Thus, a buy is never reported.)

**Trade Surplus**

A nation's excess of exports over imports during a given time frame.

**Trade-weight value of the dollar**

The value of the dollar pegged to, a market basket of selected [foreign currencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency). The Federal Reserve calculates a trade-weighted value of the dollar based on the weighted-average exchange value of the dollar against the currencies of 10 industrial countries.

**Trademark**

A distinctive name or [symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) used to identify a product or company and build recognition. Trademarks may be registered with the US Patent and Trademark Office.

**Traders**

Individuals who [take positions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#take_a_position) in [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and their [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative) with the objective of making [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit). Traders can make [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) by [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) the flow. When they do this, their objective is to earn the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/[ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread). Traders can also take [proprietary](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proprietary_trading) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which they seek to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from the directional movement of prices or [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position).

**Trades by appointment**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that is very difficult to [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) to because of illiquidity.

**Trading**

[Buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Trading Ahead**

A New York Stock Exchange rule violation. Basically, in this situation the specialist puts their firm's interest ahead of the investor's interest. Consider an example. Suppose that the specialist simultaneously receives orders from two investors, one to sell 5,000 shares of XYZ and one to buy 5,000 shares of XYZ. Normally, these orders are matched. However, suppose that the specialist substitutes (matches) her own firm's 5,000 shares of XYZ. That is, the firm's own shares are sold instead of the order that came in previously. This disadvantages the buyer because the very next transaction will be the order to sell 5,000 shares of XYZ (which will likely put downward pressure on the price). Notice that the firm has bailed out of XYZ at a higher price than if the order was reversed (the specialist's firm selling afterwards). Trading ahead is part of what is known as [negative obligation](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_obligation). Trading ahead should not be confused with [front\_running](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#front_running).

**Trading authorization**

A document ([power of attorney](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#power_of_attorney)) a customer gives to a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) in order that the broker may buy and sell [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) on behalf of the customer.

**Trading costs**

[Costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and selling marketable securities and [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow). [Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) include [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), [slippage](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#slippage), and the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid)/[ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread). See: [Transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_costs).

**Trading desk (dealing desk)**

Personnel at an international bank who [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [spot](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_trade) and [forward](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward) [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange).

**Trading dividends**

Maximizing a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) revenues by purchasing [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in other firms in order to collect the maximum amount of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) of which 70% is tax-free.

**Trading halt**

When [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock), [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) or [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) is stopped by an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) while news is being broadcast about the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). See: [Suspended trading](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#suspended_trading).

**Trading limit**

The exchange-imposed maximum daliy price change that a futures contract or futures option contract can undergo.

**Trading paper**

[CDs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) [purchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) by accounts that are likely to resell them. The term is commonly used in the Euromarket.

**Trading pattern**

Long-range direction of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) [futures price](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_price), charted by drawing one line connecting the highest prices the security has reached and another line connecting the lowest prices at which the security has [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) over the same period. See: [Technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis).

**Trading posts**

The [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) of a [stock exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges) where the [specialists](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) stand and [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade).

**Trading price**

The price at which a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) is currently selling.

**Trading profit**

The [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) earned on [short-term](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term) [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) held for less than one year, subject to tax at normal [income tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_tax) rates.

**Trading range**

The difference between the high and low [prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prices) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) during a period of time; for [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity), the high/low price limit an [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) establishes for a specific [commodity](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) for any one day's [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading).

**Trading symbol**

See: [Ticker symbol](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_symbol)

**Trading unit**

The number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a particular [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is used as the acceptable quantity for [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on the [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange).

**Trading variation**

The increments to which [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) prices are rounded up or rounded down.

**Trading volume**

The number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) transacted every day. As there is a seller for every [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), one can think of the trading volume as half of the number of shares transacted. That is, if A sells 100 shares to B, the volume is 100 shares.

**Traditional IRA**

A [tax-deferred individual retirement](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_retirement_plans) account that allows [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [contributions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contribution) of up to $2000 for each income earner. Contributions are fully deductible for all individuals who are not [active](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#active) participants in employer-sponsored plans or for plan participants within certain income ranges.

**Traditional view (of dividend policy)**

An argument that, "within reason," [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) prefer higher [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) to lower dividends because the dividend is sure but future [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain) are uncertain.

**Trailing earnings**

Past earnings. Often used in the context of the price earnings ratio. This ratio is usually distinguished as price to trailing earnings (today's price divided by the most recent 12 months of earnings) versus price to prospective earnings (today's price divided by [consensus forecast](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consensus_forecast) earnings for the next 12 months).

**Trailing sales**

Past [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale). Often used in the valuation of [companies](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that have [negative cash flows](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#negative_cash_flow) or earnings. The company is said to be valued at some multiple of past [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) - usually, the last 12 months sales.

**Trains**

Refers to investment trusts which are populated by corporate bonds. In October 2001, Morgan Stanley's Tradable Custodial Receipts (Tracers) was launched. Tracers contain a number of coporate bonds and credit default swaps which are selected for liquidity and diversity. Lehman Brothers launched a similar product, Targeted Return Index Securities (Trains) in January 2002. Both contain investment grade bonds. If a bond falls out of the investment grade category, it is either liquidated from the trust or delivered to the investor. Both Tracers and Trains are 144a trust structures and are only available to qualified buyers because they are considered private securities due to the trust structure.

**Tranche**

One of several related securities [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) at the same time. Tranches from the same [offering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) usually have different risk, reward, and/or [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) characteristics.

**Transaction**

The [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) by a seller and its acceptance by the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy).

**Transaction account**

A [checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) or similar account from which [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) can be made to third parties. Demand-deposit accounts, negotiable order of withdrawal NOW accounts, automatic transfer service [(ATS)](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ats) accounts, and credit union share [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) accounts are examples of [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) accounts at banks and other depository institutions.

**Transactions costs**

The time, effort, and money necessary, including such things as [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) fees and the [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of physically moving the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) from seller to [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy). [Transcations](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) should also include the [bid/ask spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid_asked_spread) as well as [price impact costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_impact_costs) (for example a large sell order could lower the price). Related: [Round-trip transactions costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#round_trip_transactions_costs), [information costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#information_costs), [search costs](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#search_costs).

**Transaction demand (for money)**

The money needed to accommodate a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) expected [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Transaction exposure**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) to a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with known future cash flows in a [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency), that arises from possible changes in the [exchange rate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate). Related: [Translation exposure](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#translation_exposure).

**Transaction fee**

A charge an [intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#intermediary), such as a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) or a bank, assesses for assisting in the [sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) or [purchase](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Transaction Insured Trade Acceptance Locator (TITAL)**

A trade acceptance through an insurance entity (rather than a bank) which is conditional upon exporter performance.

**Transaction loan**

A [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) extended by a bank for a specific purpose. [Lines of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#line_of_credit) and [revolving credit agreements](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#revolving_credit_agreement) involve by contrast loans that can be used for various purposes.

**Transaction tax**

Applies mainly to international equities. Levies on a deal that foreign governments sometimes charge.

**Transaction risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of changes in the home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) value of a specific future [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency) [cash flow](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_flow).

**Transactions motive**

A desire to [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) in order to conduct cash-based [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Transcript of Account**

A listing of all prior and present registered securityholder account information.

**Transfer**

A change of ownership from one person or party to another.

**Transfer agent**

Individual or institution a company appoints to look after the transfer of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Transfer On Death (TOD)**

The process of changing title of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) from one name to another upon the death of one of the titleholders.

**Transfer payments**

Payments from a government to its citizens, such as welfare and other government benefits.

**Transfer price**

The price at which one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) sells goods or services to another unit of the same firm.

**Transfer risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) associated with the possibility of a [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) not being able to be sent out of the country, usually due to [central bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#central_bank) restrictions or a national [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) rescheduling.

**Transfer tax**

A small federal tax on the movement of ownership of all [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) (except [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the US, foreign governments, states, and municipalities) and all [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Transferable letter of credit**

Document that allows the first beneficiary on a standby bank assurance of funds to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) all or part of the original [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) to a third party.

**Transferable Stock Options**

[Options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that provide by their [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) that they may be [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) by the optionee, generally only to a family member or to a [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) or other entity for the benefit of family members, or to a charity.

**Transferable put right**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to its [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to sell the firm one share of its [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) at a fixed price ([the strike price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strike_price)) within a stated period ([the time to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity)). The [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) right is "transferable" because it can be [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market).

**Transferee**

The party who has received the benefits of a [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) by action of a [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer).

**Transferor**

The [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) of a [transferable letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transferable_letter_of_credit) who causes a bank to [transfer](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) the credit to another party.

**Transshipment**

The passing goods from one ocean vessel to another.

**Transition phase**

A stage of development when a company begins to mature and its earnings decelerate to the rate of growth of the economy as a whole. Related: [Three-phase DDM](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#three_phase_ddm).

**Translation exposure**

[Risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of adverse effects on a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) that may arise from changes in [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate). Related: [Transaction exposure](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction_exposure).

**Translation Risk**

The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) of changes in the [reported](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#report) home [currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#currency) accounting results of foreign operations due to changes in currency [exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_rate).

**Transmittal letter**

A letter describing the contents and purpose of a [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) delivered with a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is changing ownership.

**Travel and entertainment expense**

Funds spent on business travel and entertainment that qualify for a [tax deduction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deduction) of 50% of the amount claimed.

**Treasurer**

The corporate officer responsible for designing and implementing a [firm's](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) financing and investing activities.

**Treasurer's check**

A [check](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) issued by a bank to make a payment. Treasurer's checks [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) are counted as part of a bank's reservable deposits and as part of the [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Treasuries**

Related: [Treasury securities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_securities)

**Treasury**

US Department of the Treasury, which [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) all [Treasury bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds), [notes](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_notes), and [bills](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bills) as well as overseeing [agencies](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agency). Also, the department within a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) that oversees its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) operations including the issuance of new [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Treasury bills**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the US Treasury that have [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity) of one year or less. Maturities for T-bills are usually 91 days, 182 days, or 52 weeks. Treasury bills are sold at a discount from face value and do not pay interest before maturity. The interest is the difference between the purchase price of the bill and the amount that is paid to you either at maturity (this amount is the face value) or when you sell the bill prior to maturity.

**Treasury bonds**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the US [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) that have [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity) of more than 10 years.

**Treasury certificates**

From 1963 to 1975, the Treasury issued something called a "Treasury Certificates". It was a nonmarketable, public issue with a short maturity, usually three months and never more than a one year. They were issued once or twice every month with odd interest rates (such as 5.471% and 6.053%) and sold at par.

**Treasury direct**

A system allowing an individual [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) to make a [noncompetitive bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noncompetitive_bid) on US [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and thus avoid [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) fees.

**Treasury Inflation-Indexed Securities (TIIS)**

Refers to a broad range of U.S. Treasury securities that are inflation indexed. The most popular are the [TIPS](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_inflation_protected_securities). The index for measuring the inflation rate is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U), published monthly by the Bureau of Labor Statistics (BLS).

**Treasury Inflation-Protected Security (TIPS)**

First issued by the U.S. Treasury in 1997, these Treasury bonds attempt to protect investors against fluctuations in inflation by linking the principal amount to the consumer price index. Each year, the principal is adjusted by the inflation rate during the previous year. The index for measuring the inflation rate is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers (CPI-U), published monthly by the Bureau of Labor Statistics (BLS). These bonds are taxable. Indeed, one must pay tax on both the interest and the increase in principal. TIPS are one of two types of inflation-indexed securities sold by the U.S. Treasury; the other type is [Series I Savings Bonds.](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#i_bonds)

**Treasury Investors Growth Receipt (TIGER)**

US government-backed [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) without [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon), meaning that the [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder) do not receive the periodic [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) payments. The [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and the individual [coupons](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) are sold separately.

**Treasury notes**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [obligations](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) of the US Treasury that have [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity) of more than one year, but not more than 10 years.

**Treasury securities**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by the US Department of the Treasury.

**Treasury Shares**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) issued in the name of the [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation). The shares are considered issued, but not [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding).Usually refers to stock that was once traded in the market but has since been repurchased by the corporation. Treasury stock not considered when calculating dividends or earnings per share.

**Treasury stock**

[Common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) that has been [repurchased](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#repurchase_of_stock) by the company and held in the [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) treasury.

**" Treat me subject "**

In the equities market, a conditional bid or offer. "My [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) is not [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), but is [subject](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subject) to confirmation between other parties and to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) changes."

**Trend**

The general direction of the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Trend Ratio Analysis**

The [comparison](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#comparison) of the successive values of each ratio for a single [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) over a number of years.

**Trendline**

A technical chart line that depicts the past movement of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and that is used in an attempt to help predict future price movements.

**Treynor Index**

A measure of the [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) per [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk), where [excess return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#excess_returns) is defined as the difference between the [portfolio's](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) return and the [risk-free rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#riskless_rate) of return over the same [evaluation period](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#evaluation_period) and where the unit of risk is the portfolio's [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta). Named after Jack Treynor.

**T-Rex Fund**

A large [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) fund (over one billion dollars). Such funds are known for imposing strong discipline on the firms they fund.

**Triangular arbitrage**

Striking [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) deals among three markets simultaneously to obtain an [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Trickle down**

An economic theory that the support of businesses that allows them to flourish will eventually benefit middle- and lower-income people, in the form of increased economic activity and reduced unemployment.

**TRIN**

Name derived from TRading INdex. Also known as an [ARMS](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arms_index) index. The index is usually calculated as the number of advancing issues divided by the number of declining issues. This, in turn, is divided by the advancing volume divided by the declining volume. If there is considerably more advancing volume relative to declining volume this will tend to reduce the index (i.e. increase the denominator). Hence, a value less than 1.0 is [bullish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bull) while values greater than 1.0 indicate [bearish](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bear) demand. The index often is smoothed with a simple [moving average](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#moving_average).

**Triple net lease**

A lease providing that the [tenant](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tenant) pay for all maintenance [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed), plus utilities, taxes, and insurance. This results in lower [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) for [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor), who usually form a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership).

**Triple tax-exempt**

[Municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) featuring federal, state, and local tax-free interest payments.

**Triple witching hour**

The four times a year that the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) [expires](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_to_maturity) at the same time as the S&P 100 [index option](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index_option) contract and [option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract) on individual stocks. It is the last [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) hour on the third Friday of March, June, September, and December, when [stock options](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_option), [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) on [stock indexes](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_index), and options on these futures [expire](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) concurrently. Massive [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in [index](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures), [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), and [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) by [hedge](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) strategists and [arbitrageurs](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrageur) cause abnormal activity ([noise](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#noise)) and [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility).

**Trough**

The transition point between economic [recession](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recession) and [recovery](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recovery).

**True interest cost**

For a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) such as [commercial paper](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commercial_paper) that is sold on a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) basis, true [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) is the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate) required to provide an identical [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) assuming a coupon-bearing [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) of like [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) that pays [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) in arrears.

**True lease**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) that qualifies as a valid [lease](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lease) agreement under the [Internal Revenue Code](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_code).

**Trust**

A [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) relationship calling for a [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) to hold the title to [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) for the benefit of the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary). The person creating the [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust), who may or may not also be the beneficiary, is called the [grantor](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#grantor_trust).

**Trust company**

An organization that acts as a [fiduciary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiduciary) and administers [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust).

**Trust deed**

Agreement between [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) and [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) setting out [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond).

**Trust fund transaction**

An intra budgetary [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) arrangement in which both payments and [receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) occur within the same trust fund group.

**Trust Indenture Act of 1939**

A law that requires all [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds) and other [debt securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_securities) to be issued subject to [indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indenture) agreements and comply with certain indenture provisions approved by the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.).

**Trust receipt**

[Receipt](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#receipts) for goods that are to be held in [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) for the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender).

**Trustee**

[Agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) who handles the administrative aspects of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and ensures that the [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) complies with the [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the [bond indenture](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indenture).

**Trustee in bankruptcy**

An appointed [trustee](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trustee) who supervises and administers the affairs of a bankrupt [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) or individual.

**TSE 300 (Toronto Stock Exchange index)**

The stock price index representing a market capitalization average price on the Toronto Stock Exchange. This index was replace in May 2002 by the S&P/TSX Composite Index.

**TSX Composite Index (Toronto Stock Exchange index)**

In May 2002 by the S&P/TSX Composite Index replaced the TSE300 index. The TSX index has over 200 constituents..

**TSX60 Index (Toronto Stock Exchange index)**

The S&P/TSX Index of the 60 largest capitalization firms on the Toronto Stock Exchange..

**TSXV Index (Toronto Stock Exchange Venture index)**

The S&P/TSXV Index of the TSX Venture Exchange..

**Truth in lending law**

Legislation governing the granting of [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit), that requires [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) to disclose the true [cost](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) and the actual [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) and [terms](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term) of the loans in a manner that is easily understood.

**TT&L account**

Treasury tax and [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) account at a bank.

**Turkey**

A losing [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Turn**

In the equities market, a [reversal](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#reversal); [unwind](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unwind_a_trade).

**Turnaround**

[Securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) bought and sold for [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) on the same day. Also describes a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that has been performing poorly, but changes its [financial](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) course and improves its performance.

**Turnaround time**

Time available or needed to effect a [turnaround](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#turnaround).

**Turnkey construction contract**

A type of construction [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) under which the construction [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) is obligated to complete a project according to prespecified criteria for a price that is fixed at the time the contract is signed.

**Turnover**

[For mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund), a measure of [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity during the previous year, expressed as a percentage of the [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) total assets of the fund. A [turnover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#turnover) rate of 25% means that the value of [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) represented one-fourth of the assets of the fund. For [finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance), the number of times a given [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), is replaced during the accounting period, usually a year. For [corporate finance](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_finance), the ratio of [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [sales](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sale) to [net worth](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_worth), representing the extent to which a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) can grow without outside [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital). For [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), the [volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volume) of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) as a percent of total shares listed during a specified period, usually a day or a year. For Great Britain, [total revenue](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#total_revenue). Percentage of the total number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) of an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that trades during any given period.

**Turnover rate**

Measures [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading) activity during a particular period. [Portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) with high turnover rates incur higher [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and are more likely to distribute [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain), which are taxable to nonretirement accounts.

**12B-1 fees**

The percent of a [mutual fund's](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) used to defray marketing and [distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distribution) [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed). The amount of the fee is stated in the fund's [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus). The [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) has recently proposed that 12B-1 fees in excess of 0.25% be classed as a load. A true no [load fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#load_fund) has neither a [sales charge](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sales_charge) nor a 12b-1 fee.

**12B-1 funds**

[Mutual funds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that do not charge an up-front or back-end [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission), but instead take out up to 1.25% of [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) daily fund assets each year to [cover](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cover) the [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) of selling and marketing [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares), an arrangement allowed by the [SEC's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) Rule 12B-1 (passed in 1980).

**Twenty bond index**

A [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [indicator](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indicator) of the level of [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield). It consists of the [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on 20 general [obligation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligation) [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) with 20-year [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) with an [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) rating equivalent to a1l.

**Twenty-day period**

The period during which the SEC inspects [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement) and [preliminary prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preliminary_porspectus) prior to a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) or [secondary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#secondary_distribution_offering).

**20% cushion rule**

Guideline that revenues from facilities [financed](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#finance) by [municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) should exceed the operating budget plus maintenance [costs](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cost) and [debt service](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt_service) by at least 20% to allow for unforeseen [expenses](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed).

**25% rule**

The guidelines that [bonded](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) over 25% of a municipality's [annual](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annualizing) [budget](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) is excessive.

**Twisting**

Convincing a customer that [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) are necessary in order to generate a [commission](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission). This is an unethical practice.

**Two dollar broker**

[Floor broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor_broker) of the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange), who [executes](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution) [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) for other [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) having more business at that time than they can handle with their own private floor brokers or who do not have their [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) [member](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) on the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor).

**Two-factor model**

Usually, Fischer Black's zero-beta version of the [capital asset pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_asset_pricing_model). It may also refer to another type of model whereby expected returns are generated by any two factors.

**Two-fund separation theorem**

The theoretical result that all [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) will [hold](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hold) a combination of the [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset) and the [market portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_portfolio).

**Two-sided market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in which both [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) prices, good for the standard [unit of trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_of_trading), are [quoted](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quotation). When customers or [market makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker) are lined up on both sides ([buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and sell) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Two-state option pricing model**

A pricing equation allowing an [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) to assume only two possible (discrete) values in the next time period for each value it can take on in the preceding time period. Also called the [binomial option pricing model](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#binomial_option_pricing_model).

**Two-tier bid**

[Takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) in which the acquirer [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to pay more for the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) needed to gain [control](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#control) than for the remaining shares, or to pay the same price but at different times in the [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) period; contrasts with [any-or-all](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#any_or_all_bid) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**Two-tier tax system**

Taxation system that results in taxing the [income](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#taxable_income) going to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) twice.

**Type**

The classification of an [option contract](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) as either a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) or a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call).

**UA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UKRAINE.

**UAH**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Ukraine Hryvnia.

**UG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UGANDA.

**UGX**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Uganda Shilling.

**UM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UNITED STATES MINOR OUTLYING ISLANDS.

**<>">UBTI**

See: [Unrelated Business Tax Income](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#unrelated_business_tax_income)

**US**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UNITED STATES.

**USD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the USA Dollar.

**UY**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for URUGUAY.

**UYU**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Uruguay Peso Uruguayo.

**UZ**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for UZBEKISTAN.

**UZS**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Uzbekistan Sum.

**Ultra vires activities**

Corporate actions and operations that are not sanctioned by [corporate charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_charter), sometimes leading to [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) lawsuits.

**Ultradot**

Applies to derivative products. [Firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) proprietary software that stores, and sends [baskets](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basket) of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) through [SEAQ](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.a.q.) to either the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#new_york_stock_exchange) or the curb for [program trading](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trading).

**Ultra-short-term bond fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that invests in [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) with very [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) periods, usually one year or less.

**Umbrella personal liability policy**

A [liability insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability_insurance) policy that provides protection against damages not covered by standard liability policies, such as large jury awards in lawsuits.

**Umbrella policy**

[Insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance) for exports of an exporter whose issuer handles all administrative requirements.

**Unamortized bond discount**

[Par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) less the proceeds received from the sale of the bond, less whatever portion has been [amortized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization).

**Unamortized premiums on investments**

The [unexpensed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) portion of the difference between the price paid for a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and its [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value).

**Unbiased expectations hypothesis**

Theory that [forward exchange rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_exchange_rate) are unbiased predictors of future [spot rates](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_rate). See [Forward parity](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_parity).

**Unbiased predictor**

A theory that [spot prices](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spot_price) at some future date will be equal to today's [forward rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_rate).

**Unbundling**

Separation of a multinational firm's [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds into discrete flows for specific purposes. See: [Bundling](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bundling_unbundling).

**Uncollected funds**

The amount of bank deposits in the form of [checks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) that have not yet been paid by the banks on which the checks are drawn.

**Uncollectible account**

An account which cannot be collected by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) because the customer is not able to pay or is unwilling to pay.

**Unconfirmed Letter of Credit**

A [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) which has not been guaranteed or confirmed by any bank other than the bank that opened it. The advising bank merely informs the [beneficiary](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) of the letter of credit terms and conditions.

**Uncovered call**

A [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [call option](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which the [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) does not own [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) represented by the [option contracts](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#options_contract). Uncovered calls are much [riskier](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) for the writer than a [covered call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#covered_call), where the writer of the uncovered call owns the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) stock. If the buyer of a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) [exercises](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) the option to call, the writer would be forced to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) at the current [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices). Also called a "naked" asset.

**Uncovered call writing**

A short call option position in which the writer does not own an equivalent position in the underlying security represented by his option contracts.

**Uncovered options**

See: [Naked options](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_option_strategies)

**Uncovered put**

A [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in which the [writer](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#writer) does not have a corresponding short [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) or has not deposited, in a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) account, [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) or [cash equivalents](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_and_equivalents) equal to the [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) value of the [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put). The writer has pledged to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the asset at a certain price if the buyer of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) chooses to exercise it. Uncovered put options limit the writer's [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) to the value of the stock (adjusted for premium received.) Also called "naked" puts.

**Uncovered Put writing**

A short put option position in which the writer does not have a corresponding short position in the underlying security or has not deposited, in a [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) account,

**Under the belt**

[Long position](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#long_position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock).

**Underbanked**

When an originating [investment banker](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) cannot find enough [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) to [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Underbooked**

Describes limited interest by prospective [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) in a new [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) during the [preoffering](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) [registration](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration) period.

**Undercapitalized**

A business has insufficient [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) to carry out its normal functions.

**Underfunded pension plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) that has a negative [surplus](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#surplus_funds) (i.e., [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) exceed [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset)).

**Underinvestment problem**

The mirror image of the [asset substitution problem](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset_substitution_problem), in that [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) refuse to invest in low-[risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to avoid shifting wealth from themselves to [debtholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtholder).

**Underlying**

What supports the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) or [instrument](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#instruments) that parties agree to exchange in a [derivative](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract).

**Underlying asset**

The security or property or [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) agreement that an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) gives the option holder the right to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or to sell.

**Underlying debt**

[Municipal bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) issued by government entities but under the control of larger government entities and for which the larger entity [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) the [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) responsibility.

**Underlying futures contract**

A [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) that supports an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) on that future, which is executed if the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) is [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) .

**Underlying security**

For [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is subject to purchase or sold upon [exercise](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). For example, IBM stock is the [underlying security](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security) for IBM options. For [Depository receipts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts), the [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class), [series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series), and number of the foreign [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) represented by the depository receipt.

**Undermargined account**

A [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account) that no longer meets minimum [maintenance requirements](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#house_maintenance_requirement), requiring a [margin call](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call) on the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Underperform**

In general, this means to do worse than some particular benchmark. Mutual Fund XYZ is said to underperform the S&P500 if its return falls short of the S&P500 return. However, this language does not take risk into account. That is, one might have a lower return than the benchmark in a particular year because of lower risk exposure. Underperform is also a term used by analysts to describe the prospects of a particular company. Usually, this means that the company will do worse than its industry average. Related: [outperform](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#outperform).

**Underpricing**

[Issuing](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at less than their [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Undervalued**

A stock price perceived to be too low or cheap, as indicated by a particular valuation model. For instance, some might consider a particular [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) stock price cheap if the company's [price-earnings ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_earnings_ratio) is much lower than the industry average. To refer to undervaluation or [overvaluation](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overvalued) implicitly assumes some model of [valuation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_valuation_model). It is always possible that the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) is valued correctly and that model applied is wrong.

**Undervalued security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) selling below its [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) or [liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) value.

**Underweight**

Usually refers to recommendation that leads an investor to reduce their investment in a particular security or [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class). The reduction is usually with respect to a benchmark. Suppose that U.S. equities compose 40% of the benchmark portfolio. If one thinks the U.S. will underperform, the investor may reduce the exposure to U.S. equity to less than 40%.

**Underwithholding**

When a taxpayer has withheld too little tax from [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary) and will therefore owe tax when filing a return.

**Underwrite**

To guarantee, as to guarantee the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) a specified price by entering into a [purchase and sale agreement](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase_and_sale). To bring securities to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Underwriter**

A [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm), usually an [investment bank](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank), that [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) an [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) from a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) and resells it to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). In general, a party that guarantees the proceeds to the firm from a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) sale, thereby in effect taking ownership of the securities.

**Underwriter's discount**

See: [Gross spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_spread)

**Underwriting**

Acting as the [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) in the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of new [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm).

**Underwriting agreement**

The [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) between a [corporation](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporation) issuing new [publicly](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) offered [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the managing [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) as [agent](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agent) for the underwriting group. Compare to [agreement among underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#agreement_among_underwriters).

**Underwriting Commission**

The fee [investment bankers](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) charge for [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) issue.

**Underwriting fee**

The portion of the gross [underwriting spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_spread) that compensates the [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) [firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) a [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) for their services.

**Underwriting income**

For an insurance [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company), the difference between the [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) earned and the costs of settling claims.

**Underwriting spread**

The income that is generated by the [underwriting syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting_syndicate) and the [selling group](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#selling_group), which is essentially the difference between the amount paid to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) in a [primary distribution](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#primary_distribution) and the [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) price.

**Underwriting syndicate**

A group of [investment banks](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_bank) that work together to sell new [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings) to [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor). The [underwriting](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriting) [syndicate](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#syndicate) is led by the [lead underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_underwriter). See also: [Lead underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lead_underwriter).

**Underwritten offering**

A [purchase and sale](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#purchase_and_sale).

**Undigested securities**

Newly [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are not purchased because of lack of demand during the [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering).

**Undiversifiable risk**

Related: [Systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk)

**Unearned income (revenue)**

Income received in advance of the time at which it is earned, such as prepaid [rent](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rent).

**Unearned interest**

[Interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that has been received on a loan, but that cannot be treated as a part of [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) yet, because the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) of the loan has not been [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) long enough.

**Unemployment rate**

The percentage of the people classified as unemployed as compared to the total labor force.

**Unencumbered**

Property that is not subject to any claims by [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor). For example, [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) bought with [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) instead of on [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) and homes with [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) paid off.

**Unequal Voting**

These provisions limit the voting rights of some shareholders and expand those of others. Under time-phased voting, shareholders who have held the stock for a given period of time are given more votes per share than recent purchases. Another variety is the substantial shareholder provision, which limits the voting power of shareholders who have exceeded a certain threshold of ownership.

**Unfavorable Balance of Trade**

The value of a nation's imports in excess of the value of its exports.

**Unfunded debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) maturing within one year ([short-term debt](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_term_debt)). See: [Funded debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#funded_debt).

**Unfunded pension plan**

Provides for the employer to pay out amounts to [retirees](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#retire) or [beneficiaries](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beneficiary) as and when they are needed. There is no money put aside on a regular basis. Instead, it is taken out of [current income](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_income).

**Unified tax credit**

A federal [tax credit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_credit) that reduces [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability), dollar for dollar, on lifetime [gifts](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#federal_gift_tax) and [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) transfers at death.

**Uniform Commercial Code (UCC)**

Collection of laws dealing with commercial business.

**Uniform Customs and Practices (Brochure 500)**

International Chamber of Commerce rules (commonly referred to as UCP 500 or ICC 500), that are used for [Letters of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit). These letters then become legally binding when written into the text of the letter.

**Uniform Gifts to Minors Act (UGMA)**

Legislation that provides a tax-effective manner of transferring property to minors without the complications of [trusts](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) or guardianship restrictions.

**Uniform practice code**

Standards of the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) prescribing procedures for handling [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction), such as [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery), [settlement date](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_date), and ex-dividend date.

**Uniform Rules for Collections**

International Chamber of Commerce rules on the handling of documentary and clean collections.

**Uniform securities agent state law examination**

A test required in some states for registered representatives who are employees of [member firms](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#member_firm) of the [NASD](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.a.s.d.) or [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [brokers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker).

**Uniform Transfers to Minors Act (UTMA)**

A law similar to the [Uniform Gifts to Minors Act](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uniform_gifts_to_minors_act) that extends the definition of gifts to include [real estate](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real_estate), paintings, [royalties](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#royalty), and [patents](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#patent).

**Unilateral transfers**

Items in the [current account](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_account) of the [balance of payments](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#balance_of_payments) of a country's accounting [books](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book) that correspond to gifts from foreigners or [pension](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) payments to foreign residents who once worked in the particular country.

**Unincorporated joint venture**

A [joint venture](http://www.duke.edu/~charvey/Classes/wpg/bfglosj.htm#joint_venture) in which the legal means of dividing the project's equity is by shareholdings in a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company).

**Uninsured motorist insurance**

Insurance that covers the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) and family if they are injured by a hit-and-run or uninsured motorist, assuming the other driver is at fault.

**Unique Diversification Benefit**

Reduction in the likelihood of [financial distress](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_distress) for a [conglomerate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conglomerate) [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) that comes with its diversified [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Unique risk**

Also called [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk) or [idiosyncratic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#idiosyncratic_risk). Specific [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that can be eliminated through [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification). See: [Diversifiable risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk) and [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk).

**Uninvested**

Usually refers to cash that could be invested but is being held in reserve.

**Unissued stock**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) [authorized](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#authorized_shares) in a [corporation's charter](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_charter), but not [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Unit**

More than one [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) together (e.g., one [common share](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares) and three [subscription warrants](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subscription_warrant)).

**Unit benefit formula**

Method used to determine a participant's benefits in a [defined benefit plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#defined_benefit_plan). Involves multiplying years of service by the percentage of [salary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#salary).

**Unit investment trust**

Money invested in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) whose [composition](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#composition) is fixed for the life of the fund. [Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a [unit trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_trust) are called [redeemable](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) trust certificates, and they are sold at a [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to [net asset value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_asset_value).

**Unit Share Investment Trust (USIT)**

A [unit investment trust](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit_investment_trust) comprising one unit of [prime](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prime) and one [unit](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unit) of score.

**Unit of trading**

See: [Trading unit](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_unit).

**Unit trust**

In the United Kingdom and other [foreign markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market), an [open-end mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_end_fund).

**United States Customs Service**

An agency of the Treasury Department charged with enforcing laws relative to imports.

**United States government securities**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of the U.S. government, as distinguished from government-sponsored agency [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Universal life**

A [whole life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#whole_life_insurance) product whose investment component pays a competitive [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) rate rather than the below-market [crediting rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#crediting_rate).

**Universe of securities**

A group of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) having a common feature, such as similar [outstanding](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#outstanding) [market capitalization](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_capitalization) or same product line.

**Unleveraged beta**

The [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of an [unleveraged required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unleveraged_required_return) (i.e., no [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)) on an investment when the investment is financed entirely by [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity).

**Unleveraged program**

The use of [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) funds to finance less than 50% of a purchase of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset). In a [leveraged](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#leverage) program [borrowed](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) funds are used to finance more than 50%.

**Unleveraged required return**

The [required return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#required_return) on an investment when the investment is financed entirely by [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) (i.e., no [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt)).

**Unlevered cost of equity**

The [discount rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount_rate) appropriate for an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that it is financed with 100% equity.

**Unlimited liability**

Full [liability](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) for the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) and other obligations of a [legal entity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#legal_entity). The [general partners](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#general_partner) of a [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) have unlimited liability.

**Unlimited marital deduction**

An [Internal Revenue Service](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#internal_revenue_service) provision that allows an individual to transfer an unlimited amount of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) to a spouse, during life or at death, without incurring federal [estate](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#estate_tax) or [gift tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gift_tax).

**Unlimited tax bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) secured by the pledge to levy taxes until full repayment at an unlimited rate.

**Unlisted security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) market that is not [listed](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) on an [orgainzed exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange).

**Unlisted trading**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in [unlisted securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#listed_security) that occurs on an [organized exchange](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#organized_exchange) to accommodate [members](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange_members). This practice is not permitted at the [NYSE](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#n.y.s.e.).

**Unloading**

Selling [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) or [commodities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commodity) whose prices are dropping to minimize loss.

**Unmargined account**

A [cash](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash) account held at a brokerage firm.

**Unmatched book**

If the [average maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_maturity) of a bank's [liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liability) is shorter than that of its [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), it is said to be running an [unmatched book](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#matched_book). The term is commonly used with the Euromarket. Also refers to entering into [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [derivatives](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#derivative_instruments) [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) and not [hedging](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hedge) by making [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) in the opposite direction to another [financial intermediary](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_intermediaries). In this case, the [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) with an unmatched book usually hedges its net [market risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_risk) with [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). Related expressions: [Open book](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open_book) and [short book](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_book).

**Unpaid dividend**

A [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) declared by the [directors](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#board_of_directors) of a corporation that has not yet been paid.

**Unqualified opinion**

An independent [auditor's opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#auditors_report) that a [company's](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) [financial statements](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_statement) comply with [accepted accounting procedures](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#generally_accepted_accounting_principals). Antithesis of [qualified opinion](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#qualified_opinion).

**Unrealized capital gain/loss**

An increase/decrease in the value of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that is not "[real](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#real)" because the security has not been sold. Once a security is sold by the [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager), the [capital gains](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_gain)/[losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) are "realized" by the fund, and any payment to the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) is taxable during the tax year in which the security is sold.

**Unrelated Business Tax Income**

Income earned by a tax-exempt entity that does not result from tax-exempt activities. The entity may owe taxes on this income.

**Usance**

The time allowed for settlement of a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft).

**Usance Draft**

See: [Time Draft](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#time_draft)

**Usance Letter of Credit**

A [letter of credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#letter_of_credit) payable at a determined future date after presentation of conforming documents.

**Unseasoned issue**

[Issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for which there is no existing [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). See: [Seasoned issue](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#seasoned_issue).

**Unsecured debt**

[Debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) that does not identify specific [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that the [debtholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debtholder) is entitled to in case of [default](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default).

**Unsterilized intervention**

[Foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) intervention in which the monetary authorities have not insulated their domestic money supplies from the foreign exchange transactions.

**Unsystematic risk**

Also called the [diversifiable risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversifiable_risk) or [residual risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#residual_risk). The [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) that is unique to a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) such as a strike, the outcome of unfavorable litigation, or a natural catastrophe that can be eliminated through [diversification](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#diversification). Related: [Systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk).

**Unwind a trade**

Reverse a [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) transaction through an [offsetting](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offset) transaction in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Up**

Market [indication](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication); willingness to go both ways ([buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sell) at the mentioned volume and [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). [Print](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#print); up on the [ticker tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#ticker_tape), confirming that the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) has been [executed](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#execution).

**Up market**

The period of time after a market bottom during which a security's price trends upwards.

**Up tick**

[Plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus_tick).

**Upturn**

(1) A period of growth or rising economic activity, especially real GDP, but typically employment as well. (2) The transition of an economy from contraction to growth, also known as a trough of economic activity.

**Up volume**

When a stock closes increases in value on a particular day, the volume in that stock is considered up volume. Related: [Down volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#down_volume).

**Upgrading**

Raising the quality [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) because of new optimism about the prospects of a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) due to tangible or intangible [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor). This can increase [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) confidence and push up the price of the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Upset price**

The minimum price at which a seller of property will accept a [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) at an auction.

**Upside potential**

The amount by which [analysts](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) or [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) expect the price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) may increase.

**Upstairs market**

A network of [trading desks](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trading_desk) for the major brokerage firms and [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors), which communicate with each other by means of electronic display systems and telephones to facilitate [block trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block_trade) and [program trades](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#program_trades).

**Upstairs order**

Used for listed equity securities. [Off-floor order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#off_floor_order).

**Upswing**

(1) An upward turn in a security's price after a period of flat or falling prices ([market bottom](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_bottom)). (2) The period during which a security's price trends upwards.

**Uptick rule**

[SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.) rule that selling [short](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) is allowed only on an [up tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#uptick_trade).

**Uptick trade**

A transaction that takes place at a higher price than the preceding transaction involving the same [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). Related: [Tick test rules](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick_test_rules).

**Upturn**

(1) A period of growth or rising economic activity, especially real GDP, but typically employment as well. (2) The transition of an economy from contraction to growth, also known as a trough of economic activity.

**Useful life**

The expected period of time during which a [depreciating](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate) [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) will be productive.

**US Treasury bill**

US government [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of less than a year.

**US Treasury bond**

US government [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of more than 10 years.

**US Treasury note**

US government [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) with a [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) of one to 10 years.

**U.S. Treasury securities**

Interest-bearing obligations if the U.S. government issued by the U.S. Department of the Treasury as a means of [borrowing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) money to meet government expenditures not covered by tax revenues. There are three types of marketable Treasury securities-bills, notes and bonds.

**Usury laws**

Laws limiting the amount of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) that can be charged on loans.

**Utility**

A power [company](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#company) that owns or operates facilities used for the generation, transmission, or distribution of electric energy, which is regulated at state and federal levels.

**Utility function**

A mathematical expression that assigns a value to all possible choices. In [portfolio theory](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_theory), the [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) function expresses the preferences of economic entities with respect to perceived [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) and [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return).

**Utility revenue bond**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) to finance the construction of [public](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public) [utility](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#utility) services. These [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are repaid from the operating revenues the project produces after the utility is finished.

**Utility value**

The welfare a given [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) assigns to an investment with a particular [expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) and [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk).

**V**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) indicate that it is when-[issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) or when-[distributed](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#distributed).

**VAMI**

A way of reporting fund performance whereby each reporting period is indexed at 100 or 1000. Hence, for a fund with a total return of 39% over the year, the VAMI indexed at 100 is 139.

**VA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for HOLY SEE (VATICAN CITY STATE).

**VaR**

See: [Value-at-risk model](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_at_risk_model)

**VAT**

See: [Value-added tax](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_added_tax)

**VC**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAINT VINCENT AND THE GRENADINES.

**VE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for VENEZUELA.

**VEB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Venezuelan Bolivar.

**VG**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for VIRGIN ISLANDS, BRITISH.

**VI**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for VIRGIN ISLANDS, U.S..

**VN**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for VIET NAM.

**VND**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Vietnamese Dong.

**VRDB**

See: [Variable-rated demand bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable_rated_demand_bond)

**VU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for VANUATU.

**VUV**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Vanuatu Vatu.

**VWAP**

The volume-weighted average price.

**Validated Export License**

Document issued by the U.S. government (BXA), authorizing the export of specific commoditites to a specified foreign country within a specified time period.

**Valuation**

Determination of the value of a company's [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) based on [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) and the [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Valuation Clause**

Stipulates a fixed sum for insured property in the event of loss when included in a marine cargo insurance policy.

**Valuation Opportunity Cost**

The potential increase in firm value associated with [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) that are for gone due to [capital rationing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_rationing).

**Valuation reserve**

An allowance to provide for changes in the value of a company's [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset), such as [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation).

**Value Added**

Value added is the [risk adjusted return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_adjusted_return) generated by an [investment strategy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment_strategy): the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of the investment strategy minus the [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return) of the [benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark).

**Value-added tax**

Tax added onto a product during each step of production, from raw material to finished good.

**Value additivity principal**

When the value of a whole group of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) exactly equals the sum of the values of the individual assets that make up the group of assets. Or, the principle that the [net present value](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_present_value) of a set of independent projects is just the sum of the net present values of the individual projects.

**Value broker**

A [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) whose rates are a percentage of the dollar value of each [transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction).

**Value date**

In the market for [Eurodollar](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#eurodollar) deposits and [foreign exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_exchange), the [delivery date](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of funds [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). For spot transactions, it is normally on spot transactions two days after a transaction is agreed upon. In the case of a [forward foreign exchange trade](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#forward_delivery), it is the future date.

**Value dating**

When value or [credit](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit) is given for funds [transferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) between banks.

**Value investing**

In the context of asset management, mutual funds, and hedge funds, the a style of investment that focuses on securities with low price to earnings ratios or low price to book ratios. Some of these securities are deemed cheap and are viewed by manager as having a lot of profit potential.

**Value Line investment survey**

A proprietary service that ranks [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) for timeliness and safety.

**Value manager**

A manager who seeks to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that are at a [discount](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#discount) to their "[fair value](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fair_value)" and to sell them at or in excess of that value. Often a [value stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#value_stock) is one with a low [price-to-book value ratio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#price_book_ratio). Opposite of to [growth stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock).

**Value Maximization**

Increases in owners' wealth achieved by maximizing of the value of a firm's [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Value-at-risk model (VaR)**

Procedure for estimating the [probability](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#probability) of [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss) exceeding some specified proportion based on a statistical analysis of historical [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) [trends](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend), [correlations](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#correlation), and [volatilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility).

**Value stocks**

[Stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) with low price/[book ratios](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_book_ratio) or price/earnings ratios. Historically, value stocks have enjoyed higher [average returns](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_rate_of_return) than [growth stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_stock) (stocks with high price/book or P/E ratios) in a variety of countries.

**Value stock fund**

A [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) that emphasizes [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) of companies whose growth opportunities are generally regarded as subpar by the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market). A value stock company often pays regular [dividend income](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend_income) to [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) and sells at relatively low prices in relation to its [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) or [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value).

**Vancouver Stock Exchange (VSE)**

A [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) in Vancouver, British Columbia, (Canada), specializing in [venture capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#venture_capital) companies.

**Vanilla issue**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that has no unusual features.

**Variable**

An element in a model. For example, in the model RS&Pt+1 = a + b Tbill t + et, where RS&Pt+1 is the return on the [S&P](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s_and_p) in month t+1 and Tbill is the Tbill return at month t, both RS&P and Tbill are "variables" because they change through time; i.e., they are not constant.

**Variable annuities**

Investment [contracts](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) whose [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) pays a periodic amount linked to the investment performance of an [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Variable cost**

A cost that is directly proportional to the volume of output produced. When production is zero, the variable cost is equal to zero.

**Variable interest rate**

See: [Adjustable rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#adjustable_rate)

**Variable life insurance policy**

A [whole life insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#whole_life_insurance) policy that provides a death benefit dependent on the insured's [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value) at the time of death. Typically the company invests [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) in [common stocks](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), so [variable life](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable_life) policies are referred to as [equity-linked policies](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity_linked_policies).

**Variable Plan**

A plan in which either the number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) and/or the price at which they will be issued is not known on the grant date.

**Variable-price security**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that sells at a [fluctuating](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fluctuation) [market-determined price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are example.

**Variable-rate**

A varible-rate agreement, as distinguished from a fixed-rate agreement, calls for an interest rate that may fluctuate over the life of the loan. The rate is often tied to an index that reflects changes in market rates of interest. A fluctuation in the rate causes changes in either the payments or the length of the loan term. Limits are often placed on the degree to which the interest rate or the payments can vary.

**Variable-rate CDs**

Short-term [certificate of deposits](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) that pay [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) periodically on [roll dates](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#roll_over). On each roll date, the [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) on the [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#c.d.) is adjusted to reflect current market rates.

**Variable-rate demand note**

A [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) that is payable on demand and bears [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) tied to a [money market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_market) rate.

**Variable-rate loan**

[Loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) made at an interest rate that fluctuates depending on a [base interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#base_interest_rate), such as the [prime rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prime_rate) or [LIBOR](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#l.i.b.o.r.).

**Variable rated demand bond (VRDB)**

[Floating-rate bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floating_rate_note) that periodically can be sold back to the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer).

**Variable Ratio Write**

An option strategy in which the investor owns 100 shares of the underlying security and writes two call options against it, each option having a different striking price.

**Variance**

A measure of dispersion of a set of data points around their [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) value. The mathematical expectation of the average squared deviations from the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean). The square root of the variance is the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation).

**Variance-minimization approach to tracking**

An approach to [bond indexing](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_indexing) that uses historical data to estimate the [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) of the [tracking error](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tracking_error).

**Variance rule**

Specifies the permitted minimum or maximum quantity of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that can be delivered to satisfy a [TBA](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#t.b.a.) [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). For [Ginnie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#ginnie_mae), [Fannie Mae](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fannie_mae), and [Freddie Mac](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#freddie_mac) [pass-through securities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_pass_through_security), the accepted [variance](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variance) is [plus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#plus) or [minus](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#minus) 2.499999 % per million of the [par value](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par_value) of the TBA quantity.

**Variation margin**

An additional required deposit to bring an investor's [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) account up to the [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_margin) level when the balance falls below the [maintenance margin requirement](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maintenance_margin_requirement).

**Vault cash**

Cash kept on hand in a depository institution's vault to meet day-to-day business needs, such as cashing checks for customers; can be counted as a portion of the institution's required reserves.

**Vega**

A term that describes the sensitivity of the option price to a one-percent change in volatility.

**Velda Sue**

Stands for Venture Enhancement and Loan Development Administration for Smaller Undercapitalized Enterprises. A federal agency that buys and pools small business loans made by banks, and then [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that are bought by large [institutional investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#institutional_investors).

**Velocity**

The number of times a dollar is spent, or turns over, in a specific period of time. Velocity affects the amount of economic activity generated by a given [money supply](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_supply).

**Vendor**

Seller or supplier.

**Venture capital**

An investment in a [start-up](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up) business that is perceived to have excellent [growth prospects](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#growth_opportunity) but does not have access to [capital markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market). Type of financing sought by early-stage companies seeking to grow rapidly.

**Venture capital limited partnership**

A [partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#partnership) between a [startup](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#start_up) company and a brokerage firm or [entrepreneurial](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#entrepreneur) company that provides [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital) for the new business in return for [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the company and a share of the [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Vertical acquisition**

Buying or [taking over](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) a firm in the same industry in which the [acquired firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) and the [acquiring firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) represent different steps in the production process.

**Vertical analysis**

Dividing each [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) item in the [income statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#income_statement) of a given year by [net sales](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_sales) to identify expense items that rise more quickly or more slowly than a change in sales.

**Vertical line charting**

A form of technical [charting](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#charter) that shows the high, low, and [closing prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#closing_price) of a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) or a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) on each day on one vertical line with the closing price indicated by a short horizontal mark.

**Vertical merger**

When one firm acquires another firm that is in the same industry but at another stage in the production cycle. For example, [the firm being acquired](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquiree) serves as a supplier to [the firm doing the acquiring](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer).

**Vertical spread**

Simultaneous purchase and sale of two [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) that differ only in their [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price). See: [Horizontal spread](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#horizontal_spread).

**Vessel**

A conveyance for the transport of goods by water.

**Vest**

Become applicable or exercisable. A term mainly used on the context of employee stock ownership or option programs. Employees might be given equity in a firm but they must stay with the firm for a number of years before they are entitled to the full equity. This is a [vesting](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#vesting) provision. It provides incentive for the employee to perform.

**Vesting**

Nonforfeitable ownership (or partial ownership) by an employee of the retirement account balances or benefits contributed on the employees behalf by an employer. The Tax Reform Act of 1986 established minimum vesting rights for employees based on their years of service—full vesting in five years or 20% vesting per year starting by the end of the third year.

**Vesting Schedule**

Schedule setting forth when, and to what extent, options become exercisable or [restricted stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#restricted_stock) or stock units are no longer subject to forfeiture (for example, 20% per year over five years).

**Veterans Administration (VA) mortgage**

A home [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) loan granted by a [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) institution to U.S. veterans and guaranteed by the Veterans Administration.

**V formation**

A technical chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) that follows a letter V form, indicating that the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) price has bottomed out, and is now in a [bullish trend](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullish).

**Vienna Convention**

Common name for the United Nations Convention on Contracts for the International Sale of Goods. They are a body of law governing the international sale of goods between parties domiciled in member countries.

**Vienna Stock Exchange (VSX)**

One of the world's oldest [exchanges](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), which accounts for approximately 50% of Austrian [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction); the balance are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [OTC](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.).

**Vignette**

A symbol or pictorial representation of the corporation on a stock certificate. Usually a complicated and artistic design, it is meant to make the counterfeiting of stock certificates as difficult as possible.

**Virtual currency option**

A new [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) introduced by the [PHLX](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p.h.l.x.) in 1994 that is settled in US dollars rather than in the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) currency. These options are also called 3-Ds (dollar-denominated [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery)).

**Visible supply**

New [muni bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) scheduled to come to [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) within the next 30 days.

**VIX**

The implied volatility on the S&P 100 (OEX) option. This volatility is meant to be a forward looking volatility. It is calculated from both calls and puts that are near the money. The VIX is a popular measure of market risk.

**Volatility**

A measure of [risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk) based on the [standard deviation](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation) of the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return). [Volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) is a [variable](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#variable) that appears in [option pricing](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_price) formulas, where it denotes the volatility of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset) return from now to the [expiration](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration) of the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). There are volatility [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index). Such as a scale of 1-9; a higher rating means higher risk.

**Volume counting**

The SEC dictates how volume is counted. Thus, volume is counted in the same manner on all markets based on the above reporting structure. Any time money changes hands (or any time capital is risked), it must be counted as a trade. Examples: 1) One registered market participant on Nasdaq buys 100 shares into inventory from another registered market participant or from one of its clients. In either case, it is counted as 100 shares. 2) One member firm on the NYSE or Amex buys 100 shares from another member firm. The Specialist matches the order between the two firms and it is counted as 100 shares. 3)The Specialist sells 100 shares from his inventory to a member firm on the NYSE. It is counted as 100 shares. 4) A Market Maker receives an order to buy 100 shares from it's client. It does not have 100 shares in its inventory. It must go buy 100 shares from someone else. It then sells these 100 shares to the client. Thus, there are two trades in this example for a total of 200 shares.

**Volume deleted**

A [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) appearing on the [consolidated tape](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#consolidated_tape) when the [tape](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tape) is running behind under heavy [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), meaning that only the [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) and price will be shown for [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) under 5000 [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares).

**Volume discount**

A reduction in price based on the purchase of a large quantity.

**Voluntary accumulation plan**

Arrangement allowing [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) of a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) to purchase [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) over a period of time on a regular basis, and in so doing take advantage of [dollar cost averaging](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dollar_cost_averaging).

**Voluntary bankruptcy**

The legal proceeding that follows a petition of bankruptcy.

**Voluntary liquidation**

[Liquidation](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidation) proceedings that are supported by a company's [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders).

**Voluntary plan**

A [pension plan](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pension_plan) supported partially by the employee by pension contributions deducted from each paycheck.

**Volatility risk**

The risk in the value of [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [portfolios](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) due to the unpredictable changes in the volatility of the [underlying asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_asset).

**Voting Instruction Card**

The voting card sent to participants in an employee plan giving the trustee of the plan the authority to vote the [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) as indicated on a [proxy](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#proxy) card.

**Volume**

This is the daily number of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) that change hands between a [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and a seller. Also known as volume traded. Also see [Up volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#up_volume) and [Down volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#down_volume).

**Up volume**

When a stock closes increases in value on a particular day, the volume in that stock is considered up volume. Related: [Down volume](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#down_volume).

**Voting certificate**

Certificates issued by a voting trust to [stockholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stockholder) in exchange for their [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), which represent all the rights of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) except [voting rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights).

**Voting rights**

The right to vote on matters that are put to a vote of [security holders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security). For example the right to vote for directors.

**Voting stock**

The [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a corporation that entitle the [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) to vote.

**Voting trust certificate**

A [trust](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trust) in which control of a corporation is given to a few individuals, usually to support reorganization of a corporation without interference.

**VXN**

The implied volatility on the Nasdaq 100 (NPX) option. This volatility is meant to be a forward looking volatility. It is calculated from both calls and puts that are near the money.

**W**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) indicating that this particular [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is a [warrant](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**WACC**

See: [Weighted average cost of capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#weighted_average_cost_of_capital)

**WEBS**

See: [World Equity Benchmark Series](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#world_equity_benchmark_series)

**WF**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for WALLIS AND FUTUNA.

**WI**

See: [When issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#when_issued)

**WS**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SAMOA.

**WST**

Western Samoa Tala currency

**W-8**

Certificate of Foreign Status form required by the IRS to tell the payer, [transfer agent](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer_agent), [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) or other middleman that an employee is a nonresident alien or foreign entity that is not subject to U.S. tax reporting or backup withholding rules.

**W-9**

Request for Taxpayer Identification Number and Certification form required by the IRS to furnish the payer, transfer agent, broker or other middleman with an employee's social security or taxpayer identification number, in order that the employee not be subject to backup withholding because of under-reporting of interest and dividends on his or her tax return.

**W-9**

A form used to certify a shareholder's social security or tax identification number as true and correct, in order to avoid federal tax withholding.

**Wage assignment**

A loan agreement provision allowing the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) to [deduct](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#deduction) payments from an employee's wages in case of default.

**Wage-push inflation**

[Inflation](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inflation) caused by skyrocketing wages.

**Waiting period**

Time during which the [Securities and Exchange Commission (SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#s.e.c.)) studies a firm's [registration statement](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#registration_statement). During this time the firm may distribute a preliminary [prospectus](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#prospectus).

**Waiver of premium**

A provision in an [insurance policy](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insurance_policy) that allows payment of insurance [premiums](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) to be permanently or temporarily stopped in the event the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) becomes incapacitated.

**Walk away**

To take and maintain a [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) in a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) after going to the [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) to consummate a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade). Antithesis of [trade me out](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade_me_out), [buy them back](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy_them_back).

**Wall Street**

Generic term for the [securities industry](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_industry_association) firms that [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy), sell, and [underwrite](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwrite) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**Wall Street analyst**

Related: [Sell-side analyst](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sell_side_analyst)

**Wallflower**

[Stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that has fallen out of favor with [investors;](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) stock that tends to have a low [P/E](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#p_e) (price-to-earnings ratio).

**Wallpaper**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with no monetary value.

**Wanted for cash**

A statement displayed on [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) tickers indicating that a [bidder](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bidder) will pay cash for same-day [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of a [block](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#block) of a specified [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).

**War babies**

Slang term for the [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of corporations in the defense industry.

**War chest**

Cash kept aside for a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) or for defense against a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid).

**War Risk Insurance**

Separate insurance coverage against loss or damage due to acts of war (including objects left over from previous wars).

**Warehouse receipt**

Evidence that a [firm](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#firm) owns goods stored in a warehouse.

**Warehousing**

The interim [holding period](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#holding_period) from the time of the closing of a [loan](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to its subsequent marketing to [capital market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_market) investors.

**Warrant**

A [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) entitling the holder to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) a proportionate amount of [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at some specified future date at a specified price, usually one higher than [current market](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_market_value) price. Warrants are [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) as securities whose price reflects the value of the [underlying stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying_security). Corporations often bundle warrants with another [class](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class) of security to enhance the marketability of the other class. Warrants are like [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option), but with much longer time spans-sometimes years. And, warrants are [offered](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) by corporations, while [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange)-[traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [call options](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_option) are not issued by firms.

**Warranty**

A guarantee by a seller to a buyer that if a product requires repair or remedy of a problem within a certain period after its purchase, the seller will repair the problem at no cost to the buyer.

**Warsaw Stock Exchange**

The major securities market of Poland.

**Wash**

Gains equal [losses](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss).

**Wash sale**

Purchase and sale of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) either simultaneously or within a short period of time, often in order to recognize a tax loss without altering one's [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position). See: [Tax selling](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_selling).

**Wasting asset**

An [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) that has a limited life and thus decreases in value ([depreciates](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciate)) over time. Also applies to consumed assets, such as oil or gas, and termed "depletion."

**Watch list**

A list of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) selected for special surveillance by a brokerage, [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), or [regulatory organization](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#self_regulatory_organization); firms on the list are often [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) targets, companies planning to [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) new securities, or [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) showing unusual activity.

**Watered stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) representing ownership in a corporation that is worth less than the actual invested [capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital), resulting in problems of low [liquidity](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#liquidity), inadequate [return on investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#return_on_investment), and low [market value](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Waybill**

A document (that looks like a [bill of lading](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bill_of_lading)) issued by a carrier that describes the goods to be transported and that details the shipping particulars. Waybills are issued by both air carriers (air waybills) and ship lines (sea waybills). They merely indicate that the stated goods were received by the carrier for transport, they do not convey title.

**Weak dollar**

A [depreciated](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) dollar with respect to other currencies, meaning that more dollars are needed to buy a unit of [foreign currency](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_currency). Antithesis of [strong dollar](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strong_dollar).

**Weak-form efficiency**

A pricing theory that the price of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) reflects the past price and [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) history of the security. Theory implies that security prices follow a [random walk](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#random_walk). Related: [Semistrong-form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#semistrong_form_efficiency), [strong-form efficiency](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#strong_form_efficiency).

**Weak market**

A [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) with few buyers and many sellers and a declining [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend) in prices.

**Wedge**

A chart [pattern](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#pattern) composed of two converging lines connecting peaks and troughs. In the case of falling wedges, the pattern indicates temporary interruptions of upward price [rallies](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rally). In the case of rising wedges, indicates interruptions of a falling price [trend](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trend).

**Weekend effect**

The common recurrent low or negative [average return](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_rate_of_return) from Friday to Monday in the [stock market](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_exchanges).

**Weight**

Either [Gross Weight](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#gross_weight), [Net Weight](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_weight), or [Tare Weight](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tare_weight).

**Weighted average cost of capital (WACC)**

[Expected return](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expected_return) on a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of all a firm's securities. Used as a [hurdle rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hurdle_rate) for [capital investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_investment). Often the weighted average of the cost of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) and the cost of [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) The weights are determined by the relative proportions of [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) and [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) in a firm's capital structure.

**Weighted average Coupon**

The weighted average of the gross [interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) of [mortgages](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) a pool as of the pool [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) date; the balance of each mortgage is used as the weighting [factor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor).

**Weighted average life**

See: [Average life](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_life)

**Weighted average maturity**

The weighted average maturity of an [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities) is the weighted average of the remaining [terms to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_to_maturity) of the mortgages [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) the [collateral pool](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#collateral) at the date [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue), using as the weighting factor the balance of each of the mortgages as of the issue date.

**Weighted average portfolio yield**

The weighted [average](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average) of the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of all the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio).

**Weighted average remaining maturity**

The average remaining term of the mortgages [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) a [MBS](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage_backed_securities).

**Well-diversified portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) that includes a variety of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) so that the weight of any security is small. The risk of a well-diversified portfolio closely approximates the [systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk) of the overall [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), and the [unsystematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#unsystematic_risk) of each security has been diversified out of the portfolio.

**When distributed**

[When issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#when_issued).

**When issued (W.I.)**

Refers to a transaction made conditionally, because a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), although authorized, has not yet been issued. Treasury securities, new issues of [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) and [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), stocks that have split, and in-[merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) situations after the time the proxy has become effective but before completion are all [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a when-issued basis. [With ice](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#with_ice).

**Whipsawed**

Buying [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) just before prices fall and selling [stocks](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) just before prices rise in a [volatile](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market), often as the result of misleading signals.

**Whisper number or forecast**

An unofficial [earnings](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#earnings) estimate of a company given to clients by a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [analyst](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#analyst) if there is more optimism or pessimism about earnings than shown in the published number. These are often found on the Internet.

**Whisper stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) rumored to be the [target](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid), drawing [speculators](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#speculator) who hope to make a [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) after the takeover is completed.

**Whistle blower**

A person who has knowledge of fraudulent activities inside a firm or government agency, who is protected from the employer's retribution by federal law.

**White knight**

A friendly potential [acquirer](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#acquirer) sought out by a [target firm](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_firm) that is threatened by a less welcome suitor.

**White Noise**

The audio equivalent of [Brownian motion](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fractional_brownian_motion). Sounds that are unrelated and sound like a hiss. The video equivalent of white noise is "snow" in television reception.

**White sheets**

Lists of prices published by the [National Quotation Bureau](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_quotation_bureau) for [Market Makers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_maker).

**White-shoe firm**

[Broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) firms that disdain practices such as [hostile takeovers](http://www.duke.edu/~charvey/Classes/wpg/bfglosh.htm#hostile_takeover).

**White squire**

[White knight](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#white_knight) who [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) less than a majority interest.

**White's rating**

A [rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#ratings) of municipal [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), that uses [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [factors](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#factor) rather than credit considerations to find appropriate [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield).

**Whitemail**

Sale of a large amount of stock by a [company](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#target_company) that is the target of a [takeover](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#takeover) [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) to a friendly party at below-[market prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices), so that the raider is forced to buy more of highly priced [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) to accomplish the takeover.

**Whole life insurance**

A [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) with both insurance and investment components: (1) It pays off a stated amount upon the death of the insured, and (2) it accumulates a cash value that the [policyholder](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#policyholder) can [redeem](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redeemable) or borrow against.

**Whole loan**

A term that distinguishes an [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) representing an original [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) loan from a loan representing a participation with one or more [lenders](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender).

**Wholesale mortgage banking**

The purchasing of loans originated by others, for the acquisition of the servicing rights.

**Wholesaler**

An [underwriter](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) or a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) who [trades](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) with other [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)-[dealers](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer), rather than with the retail [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor).

**Wholly owned subsidiary**

A [subsidiary](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#subsidiary) whose [parent company](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#parent_company) owns virtually 100% of its [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Whoops**

A nickname for the Washington Public Power Supply System, which in the 1970s raised billions of dollars through [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) [offerings](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offerings), the projects that never materialized. WPPSS [defaulted](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#default) on the payments to [bondholders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bondholder).

**WI WI**

Come from when issued. Treasury bills [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a [WI](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#wi) basis between the day they are auctioned and the day settlement is made. Bills traded before they are auctioned are said to be traded WI WI

**Wide opening**

Abnormally wide [spread](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spread) between the [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [asked prices](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asked_price) of a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) at the [opening](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#open) of a trading session.

**Widow-and-orphan stock**

A [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) paying high [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) with a low [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) and noncyclical business, that is an extremely safe [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment).

**Wiener B&#ouml;rse (Austrian Stock Exchange)**

Established in 1771, the major securities market of Austria.

**Wild card option**

The right of the seller of a [Treasury bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury_bonds) [futures contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures_contract) to give notice of intent to [deliver](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) at or before 8:00 p.m. Chicago time after the [closing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#close) of the [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange) (3:15 p.m. Chicago time) when the [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) [settlement price](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement_price) has been fixed. Related: [Timing option](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#timing_option).

**Williams Act**

Federal legislation enacted in 1968 (and now constituting [Rules 13d](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_13d) and [14d](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rule_14d) of the Security Exchange Act of 1934) that imposes requirements with respect to public [tender offers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tender_offer).

**Wilshire indexes**

Widely followed [performance measurement](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#performance_measurement) [indexes](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#index) measuring performance of all U.S.-headquartered [equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) with readily available price data, created by Wilshire Associates, Inc.

**Windfall profit**

A sudden unexpected [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) uncontrolled by the profiting party.

**Window**

A brokerage firm's cashier department, where [delivery](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#delivery) of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and [settlement](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#settlement) of [transactions](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) take place.

**Window contract**

A guaranteed investment [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) purchased with deposits over some future designated time period (the "[window](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#window)"), usually between 3 and 12 months. All deposits made are guaranteed the same [credit rating](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_rating). Related: [Bullet contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bullet_contract).

**Window dressing**

[Trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) activity near the end of a [quarter](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly) or [fiscal year](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fiscal_year) that is designed to improve the appearance of a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to be presented to clients or [shareholders](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders). For example, a [portfolio manager](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio_manager) may sell losing [positions](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) so as to display only positions that have gained in value.

**Winnipeg Commodity Exchange**

Canada's only agricultural [futures](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#futures) and [options](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [exchange](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exchange), located in Manitoba.

**Winner's curse**

Problem faced by uninformed [bidders](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid). For example, in an [initial public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#initial_public_offering) uninformed participants are likely to receive larger [allotments](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#allotment) of [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) that informed participants know are overpriced.

**Wire house**

A firm operating a private wire to its own [branch](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#branch) offices or to other firms, [commission houses](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission_house), or brokerage houses.

**Wire room**

A department within a brokerage firm that receives customers' [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) and transmits the [orders](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) to the exchange [floor](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#floor) or the firm's trading department.

**Wire transfer**

Electronic transfer of funds; usually involves large dollar payments.

**With Average (W.A.)**

[Marine cargo insurance](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#marine_cargo_insurance) coverage providing for partial loss or damage to goods, either with or without a deductible. Also called [With particular average](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#with_particular_average).

**With dividend**

Purchase of [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) that entitle the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to the forthcoming [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend). Related: [Ex-dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_dividend).

**With ice**

[When issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#when_issued).

**With rights**

[Shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) sold accompanied by entitlement the [buyer](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) to buy additional shares in the company's rights [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).

**Withdrawal plan**

Agreement that a [mutual fund](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mutual_fund) will disburse automatic periodic [redemptions](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#redemption) to the investor.

**Withholding**

Used in the context of [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), the illegal practice of a [public offering](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#public_offering) participant keeping some [shares](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) in a private account or with a family member, employee, or [dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer) to [profit](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit) from the higher [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices) of a hot [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue).   
Used in the context of taxes, the [withholding](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#withholding_tax) by an employer of a certain amount of an employee's income in order to cover the employee's [tax liability](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_liability). Also used to refer to the withholding by corporations and [financial institutions](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#financial_institution) of a flat 10% of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) and [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) payments due to [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) holders.

**Withholding tax**

A tax levied by a country of source on income paid, usually on [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) remitted to the home country of the firm operating in a foreign country.

**Without**

Indicates a [one-way market](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#one_way_market) if 70 were [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) in the [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) and there was no [offer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer), the quote would be "70 bid without.".

**With Particular Average (WPA)**

See: [With Average](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#with_average)

**Without recourse**

Giving the [lender](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) no right to seek payment or seize [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) in the event of nonpayment from anyone other than the party specified in the [debt](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#debt) [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract) (such as a special-purpose entity).

**Without Recourse Financing**

Financing in which the right of recourse to the party receiving funds is forfeited to the party advancing funds. This may be evidenced by conditions added to the endorsement of a [draft](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#draft) being sold by an exporter in order to protect the exporter, if the instrument is not paid at maturity by the original [obligor](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#obligor).

**Woody**

Slang to describe a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) moving strongly upward, as in, "This market has a woody."

**Working**

Attempting to complete the remaining part of a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), by finding either [buyers](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) or sellers for the rest.

**Working away**

Transacting with another [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker)/[dealer](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dealer).

**Working capital**

Defined as the difference between [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) and [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities). There are some variations in how working capital is calculated. Variations include the treatment of short-term debt. In addition, current assets may or may not include cash and [cash equivalents](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#cash_equivalent_items), depending on the company.

**Working capital management**

The deployment of [current assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_assets) and [current liabilities](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_liabilities) so as to maximize short-term liquidity.

**Working capital ratio**

[Working capital](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#working_capital) expressed as a percentage of sales.

**Working control**

Control of a corporation by a [shareholder](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shareholders) or shareholders having less than 51% [voting interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#voting_rights) because of the wide dispersion of [share](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#shares) ownership.

**Working order**

[Standing](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standing) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) in the marketplace, through which a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [bids](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) or [offers](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#offer) to fill the order in a series of [lots](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lots) at opportune times in hopes of obtaining the best price.

**Workout**

Informal repayment or loan forgiveness arrangement between a borrower and [creditors](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#creditor).

**Workout market**

[Market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) [indicating](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#indication) prices at which it is believed a [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) can be bought or sold within a reasonable length of time.

**Workout period**

Realignment of a temporarily misaligned [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) relationship that sometimes occurs in fixed income [markets](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**World Bank**

A multilateral development finance agency created by the 1944 [Bretton Woods](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bretton_woods_agreement), (New Hampshire) negotiations. It makes [loans](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loan) to [developing countries](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#less_developed_countries) for social [overhead](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#overhead) capital projects that are [guaranteed](http://www.duke.edu/~charvey/Classes/wpg/bfglosg.htm#guarantee) by the recipient country. See: [International Bank for Reconstruction and Development](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_bank_for_reconstruction_and_development).

**World Equity Benchmark Series (WEBS)**

The World [Equity](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#equity) [Benchmark](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#benchmark) [Series](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#series) are similar to [SPDRs](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#spdr). WEBS trade on the [AMEX](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_stock_exchange), and track the Morgan Stanley Capital International [(MSCI)](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#m.s.c.i.) country indexes. WEBS are available for: Australia, Austria, Belgium, Canada, France, Germany, Hong Kong, Italy, Japan, Malaysia Free, Mexico, the Netherlands, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

**World investible wealth**

The part of world wealth that is [traded](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) and is therefore accessible to investors.

**World Trade Organization (WTO)**

A multilateral agency that administers world trade agreements, fosters trade relations among nations, and solves trade disputes among member countries.

**Wrap account**

An [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) consulting relationship for management of a client's funds by one or more [money managers](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#money_manager), that bills all fees and [commissions](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#commission) in one comprehensive fee charged [quarterly](http://www.duke.edu/~charvey/Classes/wpg/bfglosq.htm#quarterly).

**Wraparound**

A financing device that permits an existing loan to be refinanced and new money to be advanced at an interest rate between the rate charged on the old loan and the current market interest rate. The creditor combines or "wraps" the remainder of the old loan with the new loan at the intermediate rate.

**Wraparound annuity**

An investment that allows the [annuitant](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#annuitant) the choice of [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [investments](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) [tax-deferred](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_deferred_income).

**Wraparound mortgage**

A second [mortgage](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mortgage) that leaves the original mortgage in force. The wraparound mortgage is held by the [lending](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#lender) institution as [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) for the total mortgage debt. The [borrower](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#borrow) makes payments on both loans to the wraparound lender, which in turn makes payments on the original senior mortgage.

**Wrinkle**

A feature of a new product or [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) intended to entice a buyer.

**Write**

Sell an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option). Applies to derivative products.

**Write-down**

Reducing the [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) if its is overstated compared to current [market values](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_value).

**Write-off**

Charging an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) amount to [expense](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expensed) or [loss](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#loss), such as through the use of [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) and [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization) of [assets](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset).

**Write out**

The procedure used when a [specialist](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#specialist) makes a [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) involving his own [inventory](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#inventory), on one hand, and a floor [broker's](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order), on the other. The broker must first complete the [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) with the specialist, who then transacts a separate [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) with the customer.

**Writer**

The seller of an [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option), usually an individual, bank, or company that [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) and consequently has the obligation to sell the [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) (if a [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call)) or to [buy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) the asset (if a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put)) on which the option is written if the option buyer exercises the option.

**Writing cash-secured puts**

An [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) strategy to avoid using a [margin account](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_account). Instead of depositing [margin](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin) with a [broker](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#broker), a [put](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put) writer can deposit a [cash balance](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#net_cash_balance) equal to the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price), and can avoid additional [margin calls](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#margin_call).

**Writing naked**

See: [Naked option](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#naked_option_strategies)

**Writing puts to acquire stock**

Selling a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) at an [exercise price](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise_price) that would represent a good [investment](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investment) by an [option writer](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option_writer) who believes a [stock's](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) value will fall, so that the writer cannot lose. If the stock price unexpectedly goes up, the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) will not be [exercised](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#exercise) and the writer is at least ahead the amount of the [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium) received. If the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) loses value, as expected, the [option](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#option) will be exercised, and the writer has the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) at what he had earlier decided was originally a good buy, and he has the premium income in addition.

**Written-down value**

The [book value](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#book_value) of an [asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#asset) after allowing for [depreciation](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#depreciation) and [amortization](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#amortization).

**Wrong-way risk**

This type of risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. There are two types of wrong-way risk. *Specific* wrong way risk arises through poorly structured transactions, for example, those collateralized by own or related party shares. *General* or *conjectural* wrong way risk arises where the credit quality of the counterparty may for non-specific reasons be held to be correlated with a macroeconomic factor which also affects the value of derivatives transactions. An example of conjectural wrong way risk is that fluctuations in the interest rate causes changes in the value of the derivative transactions but could also impact the credit worthiness of the counterparty. Another example might occur with an emerging-market counterparty, where there is country and possibly currency risk associated with the counterparty (however creditworthy it might otherwise be).

**W-type bottom**

A double bottom pattern in a price history that looks like the letter W. See: [Technical analysis](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#technical_analysis).

**X**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol indicating that listing is a mutual fund.

**XAF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the CFA Franc.

**XBA**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the European Composite Unit (EURCO).

**XBB**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the European Monetary Unit (EMU).

**XCD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the East Caribbean Dollar.

**XDR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Special Drawing Rights (SDR).

**XEU**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the European currency Unit (ECU).

**XMI**

Applies to derivative products. Quotron symbol for the Major Market Index (MMI).

**XOF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the CFA Franc.

**XPF**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the CFP Franc.

**X or XD**

[Symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) that indicating that [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) ex-[dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), with no [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend).

**XR**

[Symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) indicating that a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) [ex-rights](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#ex_rights), with no [rights](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#right) attached.

**XW**

[Symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#symbol) indicating that a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) is [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) ex-warrants, with no [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) attached.

**Y**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) stock symbol specifying that it is an [ADR](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#american_depositary_receipts)

**YE**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for YEMEN.

**YER**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Yemen Rial.

**YT**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for MAYOTTE.

**YU**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for YUGOSLAVIA.

**YUM**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Yugoslavia New Dinar.

**Yankee bonds**

Foreign [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) denominated in U.S. dollars and [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the United States by foreign banks and corporations. These bonds are usually registered with the [SEC](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities_and_exchange_commission). Such as, [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) by originators with roots in Japan are called [Samurai bonds](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#samurai_bond).

**Yankee CD**

A [CD](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#certificate_of_deposit) [issued](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) in the [domestic market](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#domestic_market), typically New York, by a branch of a foreign bank.

**Yankee market**

The [foreign market](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#foreign_market) in the United States.

**Yard**

Slang for one billion currency units. Used particularly in currency trading, e.g., for Japanese yen since one billion yen equals approximately US$10 million. It is clearer to say, "I'm a buyer of a yard of yen," than to say, "I'm a buyer of a billion yen," which could be misheard as "I'm a buyer of a million yen."

**Year-end dividend**

A special [dividend](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend) declared at the end of a fiscal year that usually represents distribution of higher-than-expected company [profits](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#profit).

**Year-to-date (YTD)**

The period beginning at the start of the calendar year up to the current date.

**Yellow sheets**

Sheets published by the [National Quotation Bureau](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_quotation_bureau) that detail [bid](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bid) and [ask](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#ask) prices, plus those firms that are making a [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) in [over-the-counter](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#o.t.c.) [corporate bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#corporate_bonds).

**Yen bond**

Any [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) denominated in Japanese yen currency.

**Yield**

The percentage [return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) paid on a [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) in the form of [dividends](http://www.duke.edu/~charvey/Classes/wpg/bfglosd.htm#dividend), or the effective rate of [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid on a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note).

**Yield advantage**

The advantage gained by purchasing convertible securities instead of [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock), which equals the difference between the [rates of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) of the convertible [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) and the [common shares](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_shares).

**Yield burning**

A [municipal bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#municipal_bond) financing method. [Underwriters](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underwriter) in [advance refundings](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#advance_refunding) add large markups on US Treasury bonds bought and held in [escrow](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#escrow) to compensate [investors](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) while waiting for repayment of old [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) after issuance of the new [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond). Since bond prices and [yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) move in opposite directions, when the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are marked up, they "burn down" the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield), which may violate federal tax rules and diminishes tax revenues.

**Yield curb**

Applies mainly to convertible securities. Difference in [current yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#current_yield) between the convertible and the [underlying](http://www.duke.edu/~charvey/Classes/wpg/bfglosu.htm#underlying) [common](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock).

**Yield curve**

The graphic depiction of the relationship between the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) on [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of the same credit quality but different [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Related: [Term structure of interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates). Harvey (1991) finds that the inversions of the yield curve (short-term rates greater than long term rates) have preceded the last five US [recessions](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#recession). The yield curve can accurately forecast the turning points of the business cycle.

**Yield curve option-pricing models**

Models that can incorporate different [volatility](http://www.duke.edu/~charvey/Classes/wpg/bfglosv.htm#volatility) assumptions along the [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve), such as the Black-Derman-Toy model. Also called [arbitrage-free option-pricing models](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage_free_option_pricing_models).

**Yield curve strategies**

Investments that [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to capitalize on expected changes in the shape of the [Treasury](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#treasury) [yield curve](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_curve).

**Yield differential/pickup**

Mainly applies to convertible securities. Graph showing the [term structure of interest rates](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#term_structure_of_interest_rates) by plotting the [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) of all [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) of the same quality with [maturities](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity) ranging from the [shortest](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) to the longest available.

**Yield equivalence**

The [interest rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest_rate) at which a [tax-exempt bond](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tax_exempt_bond) and a taxable [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of similar quality give the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) the same [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return).

**Yield ratio**

The quotient of two [bond yields](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond_equivalent_yield).

**Yield spread**

The difference in [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) between different [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) [issues](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue) usually [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) of different [credit quality](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#credit_quality).

**Yield spread strategies**

Investments that [position](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#position) a [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) to capitalize on expected changes in [yield spreads](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_spread) between sectors of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market).

**Yield to average life**

A [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) calculation in which [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are retired routinely during the life of the [issue](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issue). Since the [issuer](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#issuer) buys its own [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on the open [market](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market) because of [sinking fund requirements](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#sinking_fund_requirement), if the [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) are [trading](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) below [par](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#par), this action provides automatic price support for these [bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) and they will usually [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade) on a [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) to [average life](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#average_life) [basis](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#basis).

**Yield to call**

The percentage rate of a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) or [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note) if the investor [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and holds the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security) until the [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) date. This [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) is valid only if the security is called prior to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity). Generally bonds are [callable](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#callable) over several years and normally are called at a slight [premium](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#premium). The calculation of yield to [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) is based on [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate), length of time to call, and [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices).

**Yield to maturity**

The percentage [rate of return](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#rate_of_return) paid on a [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond), [note](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#note), or other [fixed income security](http://www.duke.edu/~charvey/Classes/wpg/bfglosf.htm#fixed_income_securities) if the investor [buys](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and holds it to its [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date). The calculation for YTM is based on the [coupon rate](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon_rate), length of time to [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity), and [market price](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#market_prices). It assumes that coupon [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) paid over the life of the [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) will be reinvested at the same rate.

**Yield to warrant call**

Applies mainly to convertible securities. [Effective yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_annual_yield) of usable or [synthetic](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#synthetics) [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) determined against the first date at which the [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant) can be [called](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date).

**Yield to warrant expiration**

Applies mainly to convertible securities. [Effective yield](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#effective_annual_yield) of usable [convertible bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#convertible_bond) determined by the [expiration date](http://www.duke.edu/~charvey/Classes/wpg/bfglose.htm#expiration_date) of the applicable [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**Yield to worst**

The [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) [yield](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield) computed by using the lower of either the [yield to maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosy.htm#yield_to_maturity) or the yield to [call](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call) on every possible [call date](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#call_date).

**Yo-yo stock**

A highly volatile [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) that moves up and down like a yo-yo.

**Z**

Fifth letter of a [Nasdaq](http://www.duke.edu/~charvey/Classes/wpg/bfglosn.htm#national_association_of_securities_dealers_automatic_quotation_system) [stock symbol](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock_symbol) indicating that listing is a fifth class of [preferred stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#preferred_stock), a [stub](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stub), a certificate representing a [limited partnership](http://www.duke.edu/~charvey/Classes/wpg/bfglosl.htm#limited_partnership) interest, foreign preferred when issued, or a second class of [warrants](http://www.duke.edu/~charvey/Classes/wpg/bfglosw.htm#warrant).

**ZA**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for SOUTH AFRICA.

**ZAR**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the South Africa Rand.

**ZBA**

See: [Zero balance account](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_balance_account)

**ZM**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ZAMBIA.

**ZMK**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for Zambian Kwacha .

**ZRN**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Zaire New Zaire.

**ZW**

The two-character [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 3166 country code for ZIMBABWE.

**ZWD**

The [ISO](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#international_standards_organization) 4217 currency code for the Zimbabwe Dollar.

**Zabara**

Applies mainly to international equities. Japanese [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#securities) transactions conducted on the principal of auction, i.e., (1) price [priority](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#priority) in which the selling (buying) [order](http://www.duke.edu/~charvey/Classes/wpg/bfgloso.htm#order) with the lowest (highest) price takes precedence over other orders, and (2) time priority in that an earlier order takes precedence over other orders at the same price.

**Zaibatsu**

Large family-owned [conglomerates](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#conglomerate) that controlled much of the economy of Japan prior to World War II.

**Z bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) on which [interest accrues](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#accrued_interest) but is not currently paid to the [investor](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#investor) but rather is added to the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) balance of the Z bond and becoming payable upon satisfaction of all prior bond [classes](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#class).

**Zero-balance account (ZBA)**

A [checking](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#check) account in which zero balance is maintained by [transfers](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transfer) of funds from a master account in an amount only large enough to cover checks presented.

**Zero-base budgeting (ZBB)**

[Budgeting](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#budget) method that disregards the previous year's budget in setting a new budget, since circumstances may have changed. Each and every expense must be justified in this system.

**Zero-beta portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) constructed to have zero [systematic risk](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#systematic_risk), similar to the [risk-free asset](http://www.duke.edu/~charvey/Classes/wpg/bfglosr.htm#risk_free_asset), that is, having a [beta](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#beta) of zero.

**Zero-bracket amount**

The standard deduction portion of income which is not taxed for taxpayers choosing not to [itemize deductions](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#itemized_deduction).

**Zero-coupon bond**

A [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) in which no periodic [coupon](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#coupon) is paid over the life of the [contract](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#contract). Instead, both the [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and the [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) are paid at the [maturity date](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity_date).

**Zero-coupon convertible security**

A [zero-coupon bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond) convertible into the [common stock](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#common_stock) of the issuing company after the [stock](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#stock) reaches a certain price, using a [put option](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#put_option) inherent in the [security](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security).   
Also refers to [zero-coupon bonds](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_coupon_bond), which are convertible into an interest bearing [bond](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bond) at a certain time before [maturity](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#maturity).

**Zero-investment portfolio**

A [portfolio](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#portfolio) of zero net value established by [buying](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#buy) and [shorting](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short) component [securities](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#security), usually in the context of an [arbitrage](http://www.duke.edu/~charvey/Classes/wpg/bfglosa.htm#arbitrage) strategy.

**Zero-minus tick**

Sale that takes place at the same price as the previous sale, but at a lower price than the last different price. Antithesis of [zero-plus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_plus_tick).

**Zero-one integer programming**

An analytical method that can be used to determine the solution to a [capital rationing](http://www.duke.edu/~charvey/Classes/wpg/bfglosc.htm#capital_rationing) problem.

**Zero prepayment assumption**

The assumption of payment of scheduled [principal](http://www.duke.edu/~charvey/Classes/wpg/bfglosp.htm#principal) and [interest](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#interest) with no payments.

**Zero-Percent Certificate of Indebtedness or Zero-Percent C of I**

A Treasury security that does not earn any interest. It is intended to be used as a source of funds for traditional Treasury security purchases.

**Zero-plus tick**

Used for listed equity securities. [Transaction](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#transaction) at the same price as the preceding [trade](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#trade), but higher than the preceding trade at a different price. Antithesis of [zero-minus tick](http://www.duke.edu/~charvey/Classes/wpg/bfglosz.htm#zero_minus_tick). See: [Short sale](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#short_sale).

**Zero-sum game**

A type of game wherein one player can gain only at the expense of another player.

**Zero uptick**

Related: [Tick-test rules](http://www.duke.edu/~charvey/Classes/wpg/bfglost.htm#tick_test_rules)

**Zombies**

Companies that continue operation while they await [merger](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#merger) or closure, even though they are [insolvent](http://www.duke.edu/~charvey/Classes/wpg/bfglosi.htm#insolvent) and [bankrupt](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy).

**Z score**

Statistical measure that quantifies the distance (measured in [standard deviations](http://www.duke.edu/~charvey/Classes/wpg/bfgloss.htm#standard_deviation)) a data point is from the [mean](http://www.duke.edu/~charvey/Classes/wpg/bfglosm.htm#mean) of a data set. Separately, Z score is the output from a credit-strength test that gauges the likelihood of [bankruptcy](http://www.duke.edu/~charvey/Classes/wpg/bfglosb.htm#bankruptcy).