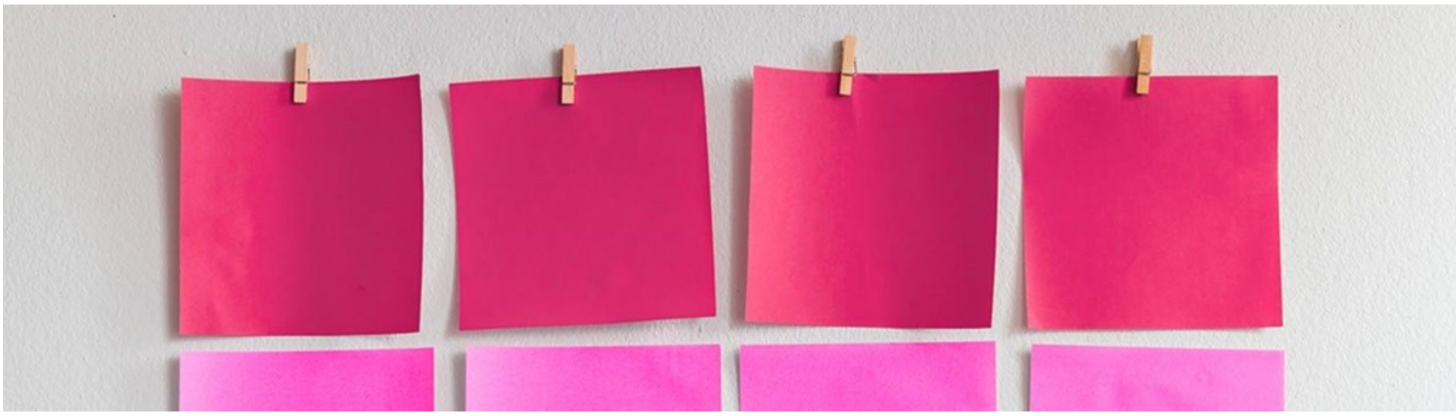
SHAREMARKET TERMS YOU NEED TO KNOW



PERPETUAL
04/03/2020

Since shares were available, the sharemarket has been one of the most common tools for wealth creation (please note that investing in the sharemarket doesn't guarantee wealth and there is very real risk involved). Although they can be a great wealth generator over the long-term, shares see more day-to-day volatility than other assets. They have also averaged a real return of approximately 9.4%p.a. in Australia over the past 30 years, compared to just 2.7% for bonds and 0.5% for cash[1].

Over long periods of time, the magic power of compounding can turn this differential into an even more powerful wealth generator.

> "Investing should be more like watching paint dry or watching grass grow. If you want excitement… go to Las Vegas"
> Paul Samuelson, the first American to win Nobel prize in Economics

Want to get started in shares?

Read our *Investing in shares 101* here.

Below is a list of some of the most common sharemarket trading terms you will hear being used so you can get in on the lingo.

1. **BUY:** means to buy shares in a company (or 'take position').
2. **SELL:** Getting rid of (selling) shares you purchased either because you have achieved your goal or because you want to cut your losses.
3. **BID:** your bid is what you're willing to pay for a share (ie your 'order').
4. **ASK:** ask is the price that people are looking to sell their shares.
5. **BID-ASK SPREAD:** this is the difference between the price of those bidding or buying and those asking or selling. That is the

bid-ask spread is the difference between what people must spend and what people want to get. This gap (or spread) must be closed/resolved before a transaction can take place.

6. **BULL MARKET:** is when stocks prices are rising and further expected to rise (a bull attacks by butting his head/horns upward).
7. **BEAR MARKET:** are when investors expect stock prices to fall and when short sellers (selling shares they do not own) thrive (a bear attacks on their hind legs and swipes its paws downwards).
8. **LIMIT ORDER:** provides instruction to only execute at-or-under a purchase or sales price. A general rule of thumb: always use limit orders not market orders.
9. **MARKET ORDER:** provides instruction to execute as quickly as possible at the market price.
10. **GOOD TILL CANCELLED (GTC) ORDER:** means your order stands until you cancel it and it will be executed whenever the stock reaches your price (even if that is 2-3 weeks down the road, for example).
11. **DAY ORDER:** means your order is only good for the day it's placed.
12. **VOLATILITY:** is simply how fast a stock moves up and down in price and the rage of the price between the highest and lowest price.
13. **LIQUIDITY:** liquidity is how easily you can get into and out of a stock.
14. **TRADING VOLUME:** is the number of shares being traded each day (a huge factor for a stock's liquidity).
15. **GOING LONG:** you're betting that the company's share will increase in price so that you can buy low and sell high, in turn, making a profit.
16. **AVERAGING DOWN:** when an investor buys more of a stock as the price goes down, this results in a decrease of the average price at which the investor purchased the stock
17. **CAPITALISATION:** refers to what a market thinks a company's value is.
18. **PUBLIC FLOAT:** this is the number of shares that can actually issued on the stock exchange to trade (usually once shares that insiders, like a company's C-suite and early investors have been subtracted.
19. **AUTHORISED SHARES:** the total number of shares that a company can trade, it's nearly always bigger than the public float.
20. **IPO:** (Initial Public Offering) is an initial share price offering. This happens when a private company becomes a publicly-traded company by issuing a prospectus people can subscribe for shares in a company.
21. **SECONDARY OFFER:** if a company's stock is doing well, they may carry out another offering (in order to raise more money).
22. **BLUE CHIP STOCK:** these are generally industry-leading companies offering stable dividend payments.
23. **FOREX:** (or 'foreign exchange') involves trading in different currencies.
24. **HEDGE/MANAGED FUNDS:** Hedge -and- managed funds are two different types of investment accounts that you can buy into. Professional investors invest your money in dozens, hundreds or even thousands of stocks (this is much like how a super fund acts, learn more about super here).
25. **ETFs:** (Exchange Traded Funds) are like stocks as you buy and sell shares but they're also like mutual funds, as they can also track to an index.
26. **ASX:** stands for the Australian Stock Exchange.
27. **BETA**: A measurement of the relationship between the price and the movement of a stock and the movement of the whole market. If stock ABC has a beta of 1.5, that means that for every one-point move in the market, stock ABC moves 1.5 points and vice versa.
28. **BROKER:** a person or platform who buys and sells an investment for you, in exchange for a fee.
29. **DIVIDEND:** this is a portion of a company's earnings that is paid to shareholders (the people that own that company's stock, usually on a biannual basis.
30. **EXCHANGE:** and exchange is a place where different investments are traded, in Australia it's called the ASX.
31. **EXECUTION:** when an order to buy or sell has been completed. If you put in an order to sell 100 shares, this means that all 100 shares have been sold.
32. **PORTFOLIO:** a collection of investments owned by an investor.
33. **STOCK SYMBOL:** a one to three-character symbol that represents a publicly traded company on a stock exchange.

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1. https://www.canstar.com.au/investor-hub/australian-shares-on-the-rise/

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