



INVESTING

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INTRODUCTION

fig. 1

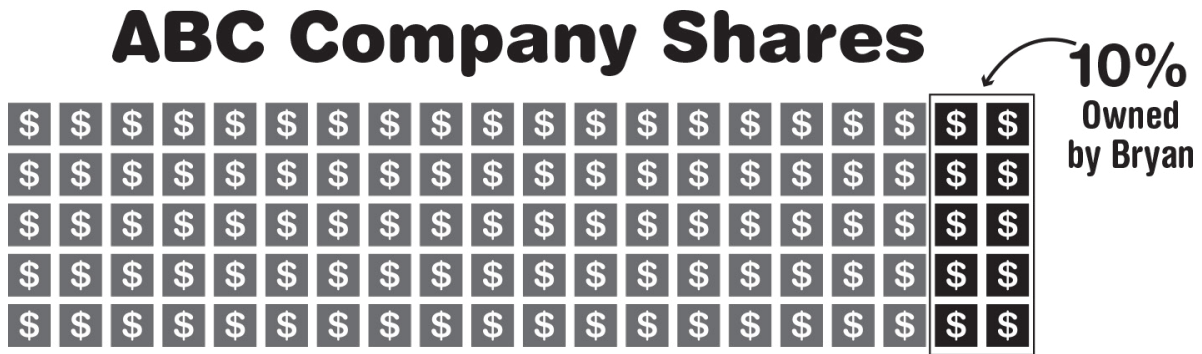


fig. 2

DOW JONES INDUSTRIAL AVERAGE - SINCE 1910 -



CHAPTER 1

The Language of Investing

fig. 3

Talk the Talk

Term of the Treasury Security	Referred to as,
1 year or less	Treasury bill or T-bill
2 – 10 years	Treasury note or T-note
> 10 years	Treasury bond or T-bond

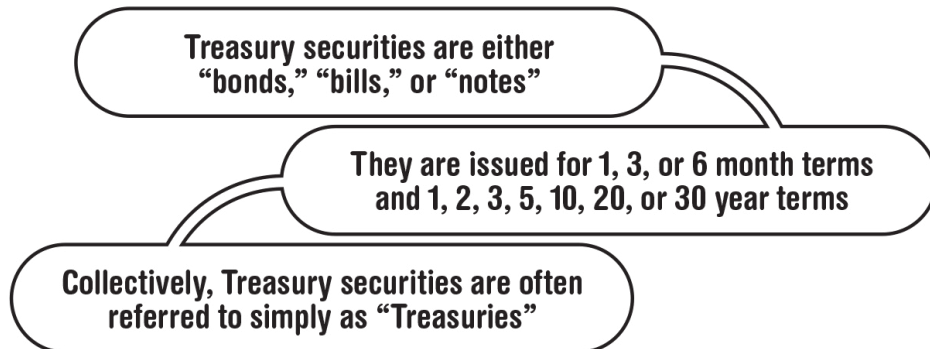


fig. 4

Interest Rates on Treasury Securities

A normal yield curve

Term of the Treasury Security	Interest
3-month	.50%
6-month	.62%
1-year	.80%
5-year	1.96%
10-year	2.47%

fig. 5

Moody's		S&P		Fitch		
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	
Aaa	P-1	AAA	A-1+	AAA	A1+	Prime
Aa1		AA+		AA+		High Grade
Aa2		AA		AA		
Aa3		AA-		AA-		
A1		A+	A-1	A+	A1	Upper Medium Grade
A2	A			A		
A3	P-2	A-	A-2	A-	A2	
Baa1		BBB+		BBB+		
Baa2	P-3	BBB	A-3	BBB	A3	Lower Medium Grade
Baa3		BBB-		BBB-		
Ba1	Not Prime	BB+	B	BB+	B	
Ba2		BB		BB		Highly Speculative
Ba3		BB-		BB-		
B1		B+		B+		
B2		B		B		
B3		B-		B-		
Caa		CCC+	C	CCC	C	Substantial Risks
Ca		CCC				Extremely Speculative
C		CCC-				In Default (with little prospect for recovery)
/		D	/	DDD	/	In Default
/				DD		
/				D		

fig. 6

Stocks vs. T-Bills According to Fama/French

Evaluation Period	Stocks Outperform Treasuries
1 year	69% of the time
5 year	78% of the time
10 year	85% of the time
15 year	96% of the time

fig. 7

TRADING SYMBOL	STOCK PRICE	STOCK MOVEMENT	STOCK PRICE CHANGE
BAC	22.82	↑	0.19
BMJ	49.98	↓	0.19
AAPL	119.99	↑	0.23
PG	87.57	↑	2.87

fig. 8

YTD % CHG	52 Wk HIGH	52 Wk LOW	Stock	Trading Symbol	Div	Yield %	P/E	Volume	Close	Net CHG
27.9	74.99	38.71	Ferrari N.V.	RACE	.67	0.99	29.89	618,324	67.30	-0.05
95.3	2.23	.87	Pac Coast Oil Trust	ROYT	.03	9.45	353.12	150,910	2.09	1.01
13.7	10.56	8.12	PIMCO Strategic Income Fund	RCS	.07	8.72	-	141,070	9.91	0.14
-24.1	32.83	11.03	R.R. Donnelley & Sons Co	RRD	.14	4.52	-	1.63 M	12.40	0.16
4.7	19.87	9.29	Radiant Group Inc	RDN	.00	0.05	13.96	1.48 M	18.82	0.10
55.9	6.29	2.45	Radiant Logistics Inc	RLGT	-	-	570.36	406,681	6.08	-0.14
-11.8	114.00	75.62	Ralph Lauren Corp	RL	.50	2.48	46.17	1.13 M	80.57	0.96
-19.8	46.96	26.24	Range Resources Corp	RRC	.02	0.29	-	4.80 M	27.56	0.33
8.5	81.92	75.09	Raymond James Financial, Inc	RJF	.22	1.17	19.12	1.71 M	75.19	0.11
-15.6	17.39	9.59	Rayonier Advanced Materials	RYAM	.07	2.15	8.73	398,297	13.05	-0.09
9.9	157.59	124.98	Raytheon Company	RTN	.80	2.04	20.98	1.49 M	156.01	-0.02

Source: Data from Google Finance - Google and the Google logo are registered trademarks of Google Inc., used with permission

fig. 9



fig. 10

P/E

=

The Stock Price per Share

Annual Earnings per Share

fig. 11

ABC

BROKERAGE

ACCOUNT #: 87654321

TRADE DATE: 3/3/17

SETTLEMENT DATE: 3/8/17

YOU BOUGHT: MINING CORP. (MNGC)

TRADE NUMBER	QUANTITY	PRICE	PRINCIPAL	COMMISSION	FEEs	NET AMOUNT
32165487	10.00000	\$50.50000	\$505.00	\$5.00	\$3.00	\$513.00

fig. 12


<div><div>\$82.41</div><div>-\$0.13 ↓ -0.16% ↓</div></div>			
Bid	\$82.37	Size	40x1
Ask	\$82.42	Volume	24,809,690

fig. 13


Fun Facts About the Dow


Despite being created as an “industrial average”— the original DJIA included an assortment of quintessential “industrial” companies, specializing in leather, rubber, steel, cattle, gas, etc.—the current stocks that comprise the Dow are not categorically “industrial” stocks but a mix of tech, finance, retail, and pharmaceuticals.


THEN





NOW












For a long time, GE was the last remaining DJIA company that also held a spot in the original DJIA of 1896. GE was removed from the DJIA in June of 2018.

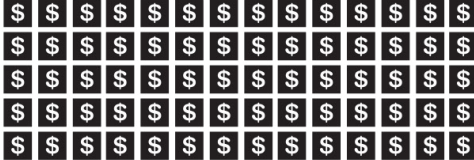
The original DJIA was a straightforward average price of the 12 stocks that first comprised the index. As these stocks, over time, split or underwent other adjustments, the divisor in the average was modified in response. The DJIA is now properly termed a “scaled average.” The current divisor used to calculate the value of the Dow is less than zero, which makes the Dow’s value greater than the combined prices of all its component stocks.

DOW VALUE



>

COMBINED VALUE OF
COMPONENT STOCKS



10

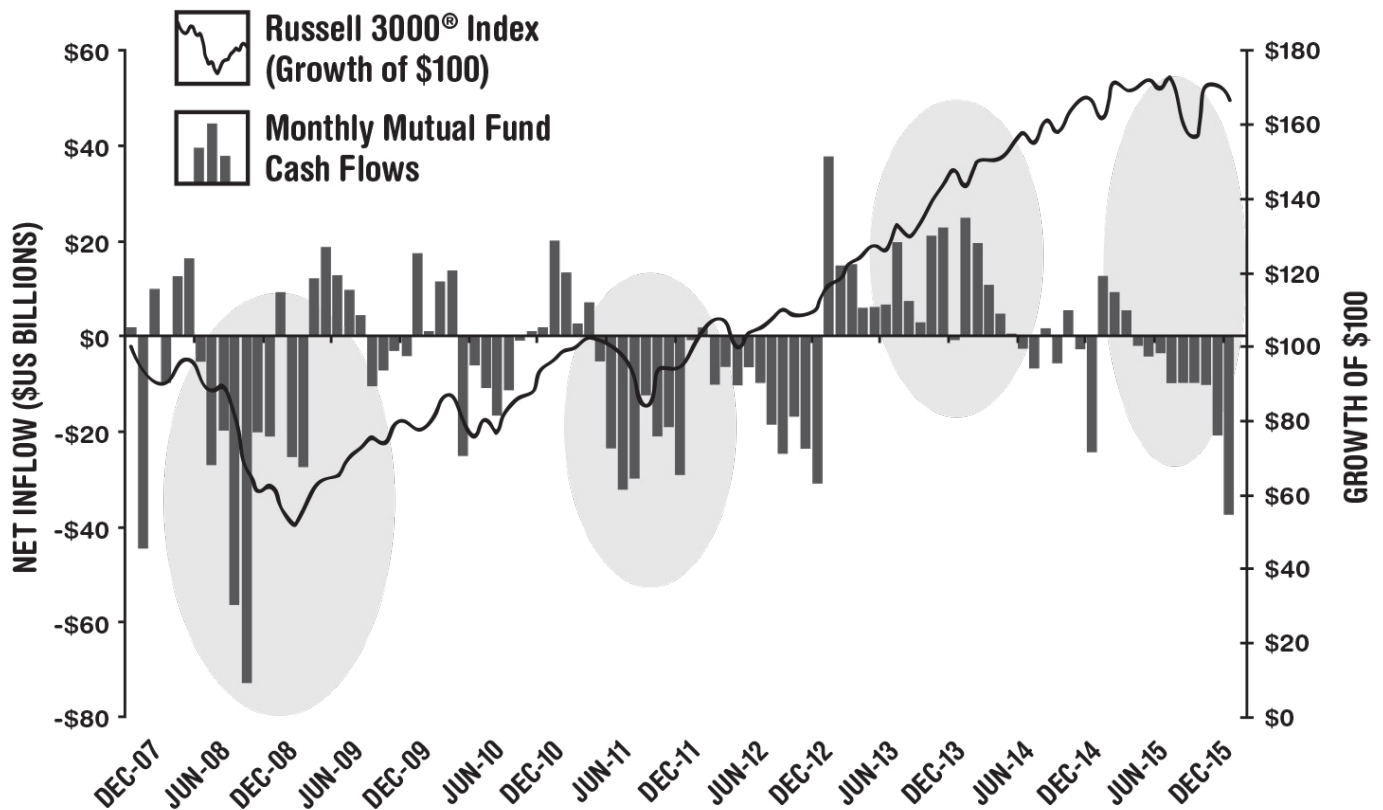
CHAPTER 2

From Brokerages to Robo-Advisors

fig. 14

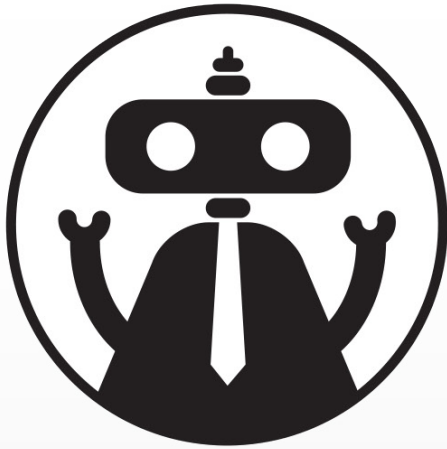
Recent Proof of a “Buy High & Sell Low” Mentality

INVESTMENT PATTERNS AT THE WRONG TIMES



Robot vs. Human

THE ADVISOR WARS OF THE 21ST CENTURY



Robo-Advisor

Key Attributes:

- Lower fees (.25% to .5%)
- Pre-packaged investment-only plans
- May give undue prominence to expensive proprietary funds
- May offer tax-loss harvesting



Human Advisor

Key Attributes:

- Standard fee is 1%
- Comprehensive & personal investment plans
- May offer tax management and other financial services
- A buffer against "bad financial behavior"

CHAPTER 3

How to Use Time to Your Advantage

fig. 16

- Initial Investment of \$500
- Compounding Interest at a Rate of 10%

Number of Years	Investment Worth
5	\$805.26
10	\$1,296.87
15	\$2,088.62
20	\$3,363.75
25	\$5,417.35
30	\$8,724.70
35	\$14,051.22
40	\$22,629.63
45	\$36,445.24

fig. 17

$$72 \div 10 =$$

**The number of years required to
double the principal at a compound
annual interest rate of 10%**

$$= 7.2 \text{ Yrs}$$

fig. 18

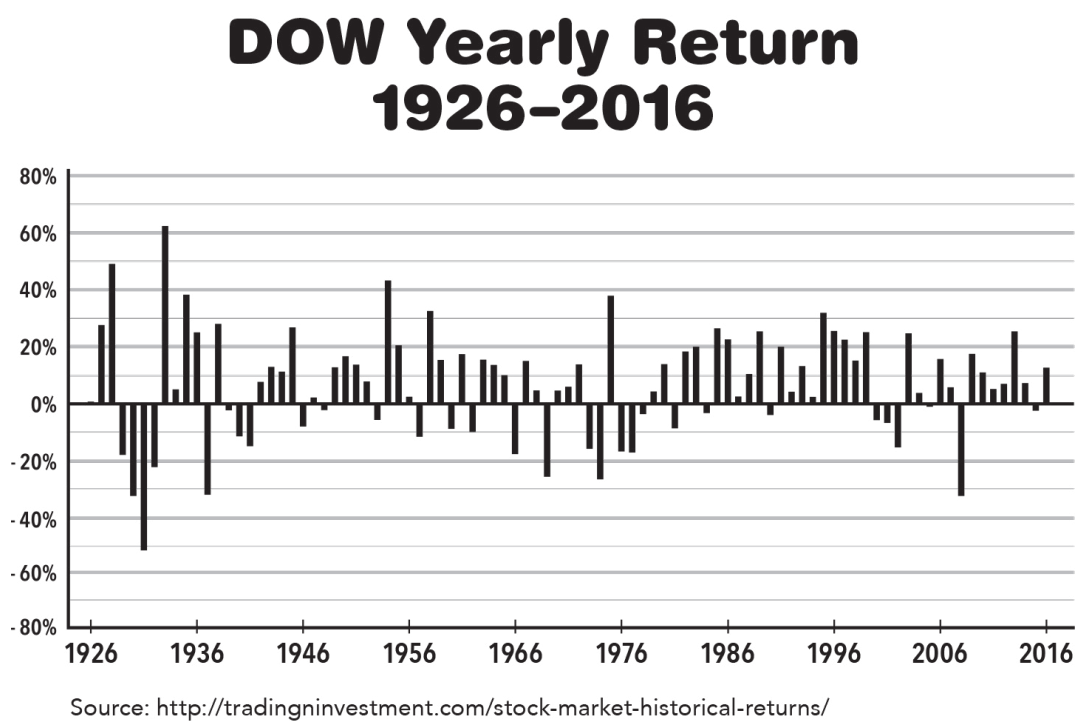


fig. 19

72 ÷ (The Rate of Inflation) =

**The number of years
required to diminish by 1/2
the purchasing power of
a given dollar amount**

fig. 20

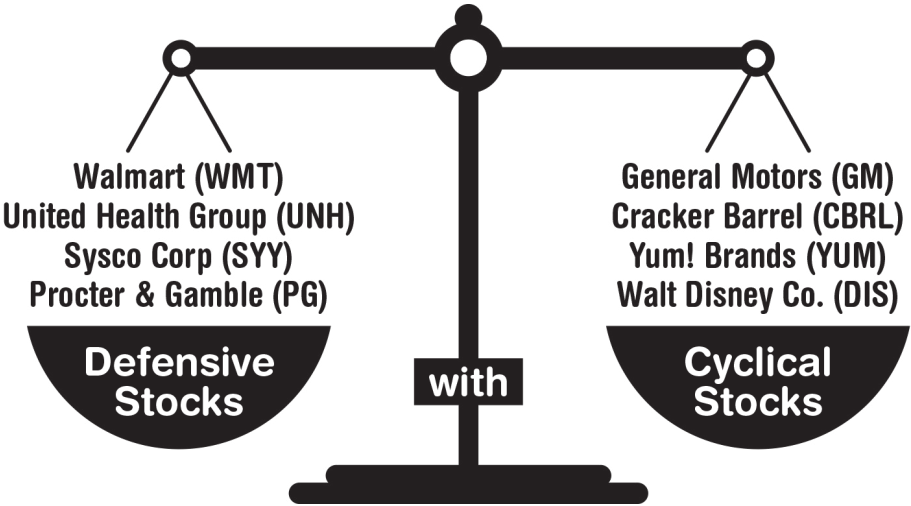


fig. 21

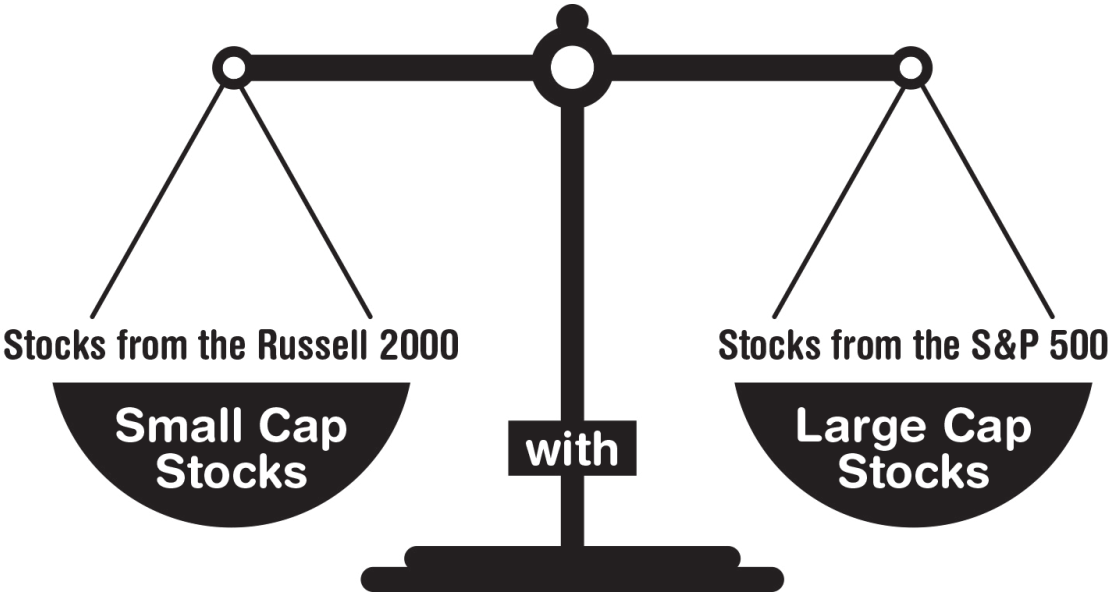


fig. 22

Small Cap vs. Large Cap According to Fama/French

Evaluation Period	Small Cap Stocks Outperform Large Cap Stocks
1 year	57% of the time
5 year	64% of the time
10 year	72% of the time
15 year	82% of the time

fig. 23

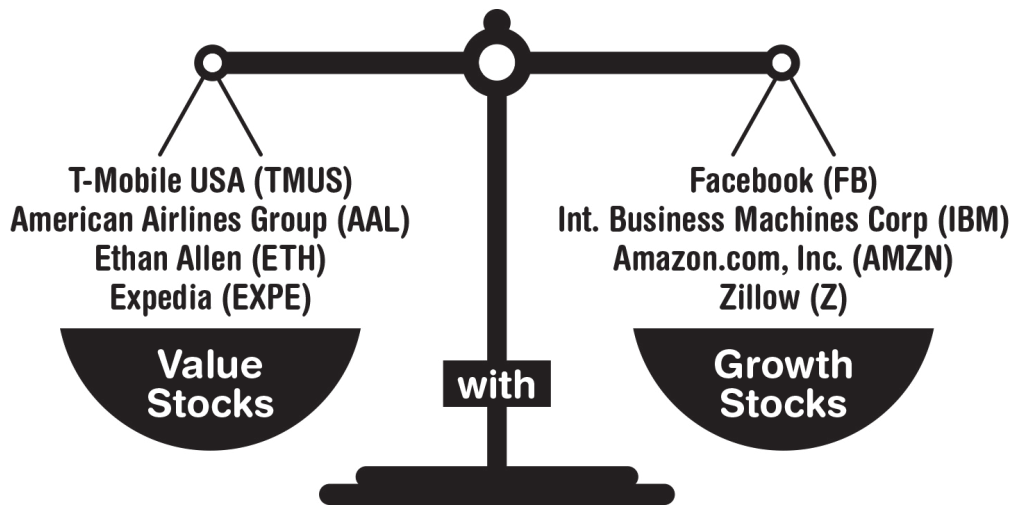


fig. 24

Value Stocks vs. Growth Stocks According to Fama/French

Evaluation Period	Value Stocks Outperform Growth Stocks
1 year	61% of the time
5 year	77% of the time
10 year	88% of the time
15 year	97% of the time

fig. 25

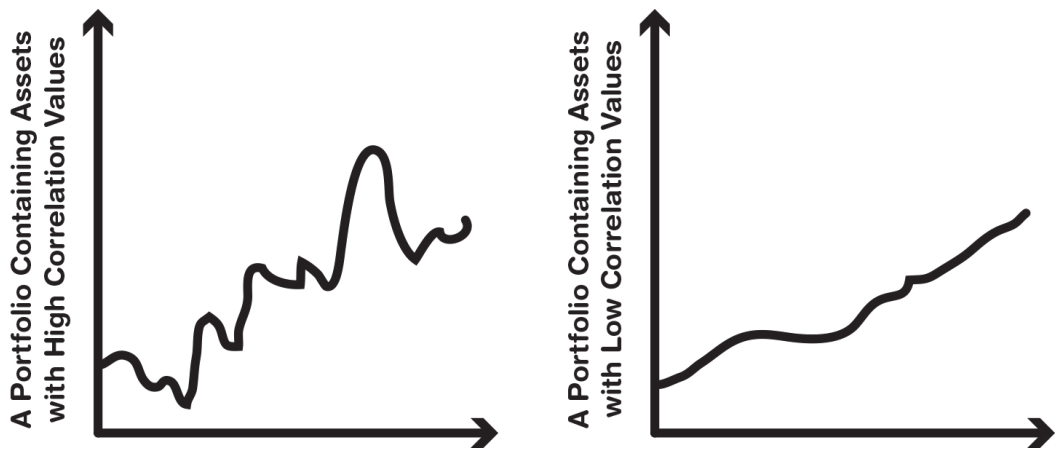


fig. 26

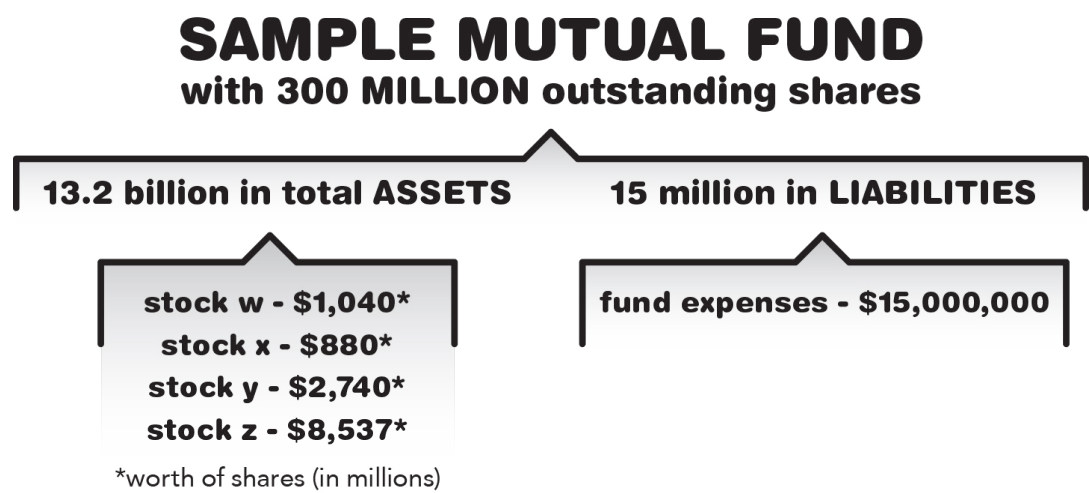
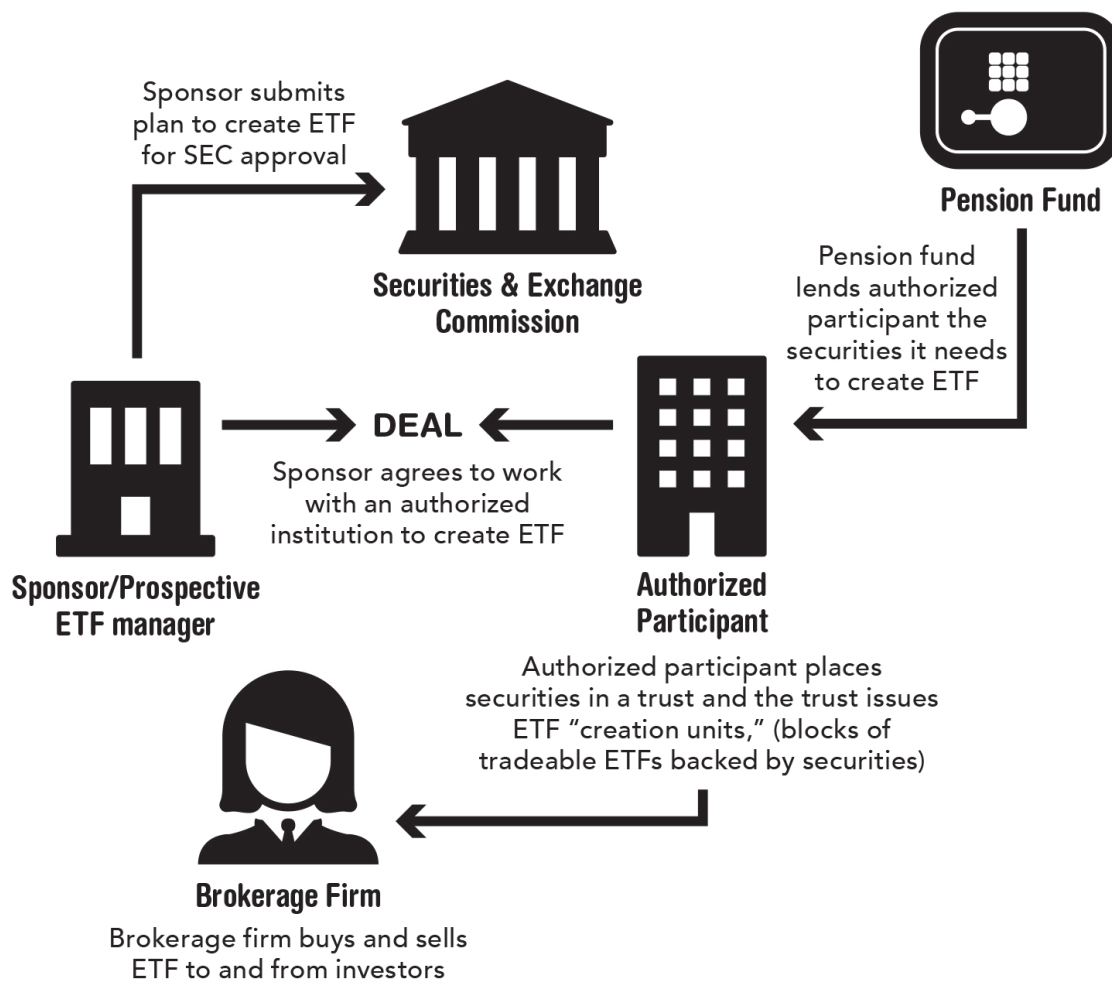


fig. 27

Name	Symbol	NAV (per share)	Change (% change)
ABC Index Fund	AINDX	213.23	-1.07 (- 0.56%)
FundCorp Value Stock Fund	FVSFX	42.14	+0.53 (+ 1.26%)
InvestorCorp Growth Stock Fund	IVCGX	15.26	+0.02 (+ 0.13%)
ABC Biotechnology Portfolio Fund	ABIOX	20.01	-0.20 (- 1.00%)
FundCorp Retirement 2050 Fund	FRRDX	28.83	-0.23 (- 0.81%)
Investomatic Financial Index Fund	IFIXX	20.77	+0.01 (+ .05%)
JohnnyMarket's Tech Stock Fund	JOTCX	6.82	-0.05 (- 0.73%)
InvestorCorps Emerging Market Fund	ICOEX	23.64	-0.16 (- 0.68%)
ABC Low Volatility Bond Fund	ABCBX	9.68	0.00 (0.00%)

The Creation of an ETF



CHAPTER 4

Decision Time

fig. 29

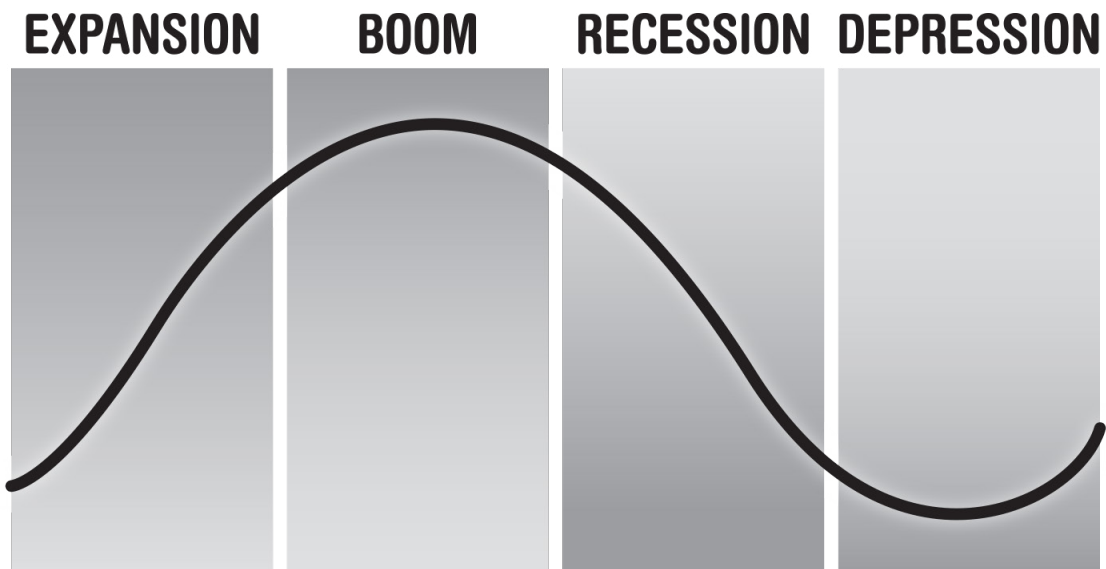


fig. 30

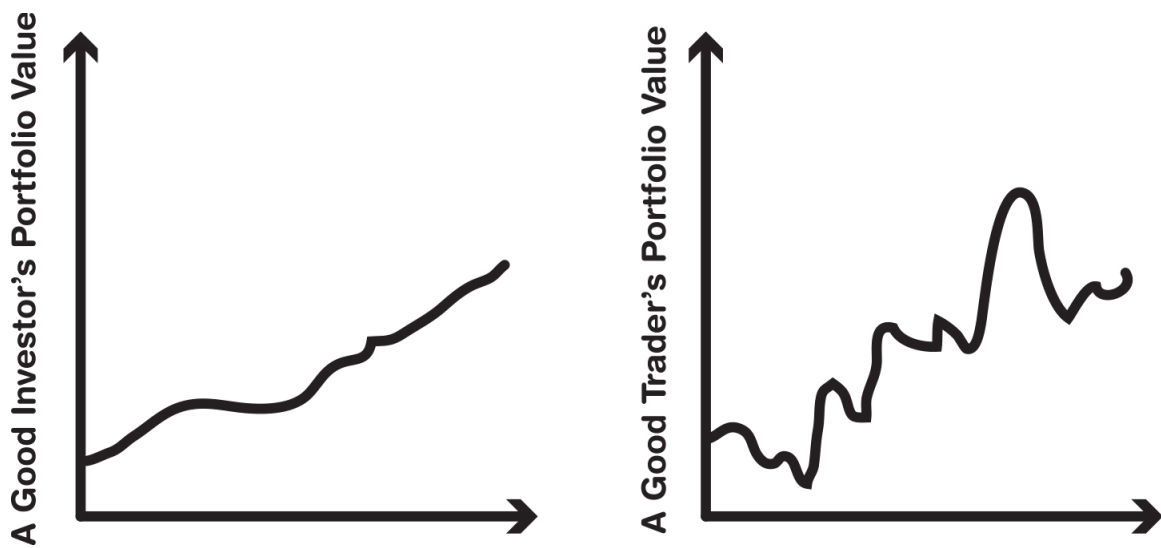


fig. 31

In Millions of USD (except for per share items)	
Cash & Equivalents	1,011.32
Short Term Investments	3,753.74
Cash and Short Term Investments	4,765.06
Accounts Receivable - Trade, Net	833.03
Receivables - Other	-
Total Receivables, Net	833.03
Total Inventory	-
Prepaid Expenses	194.21
Other Current Assets, Total	47.47
Total Current Assets	5,839.77
Property/Plant/Equipment, Total - Gross	-
Accumulated Depreciation, Total	-
Goodwill, Net	5,406.47
Intangibles, Net	414.40
Long Term Investments	-
Other Long Term Assets, Total	139.89
Total Assets	12,697.25
Accounts Payable	88.02
Accrued Expenses	691.27
Notes Payable/Short Term Debt	0.00
Current Port. of LT Debt/Capital Leases	-
Other Current liabilities, Total	2,032.34
Total Current Liabilities	2,811.64
Long Term Debt	1,892.20
Capital Lease Obligations	-
Total Long Term Debt	1,892.20
Total Debt	1,892.20
Deferred Income Tax	217.66
Minority Interest	-
Other Liabilities, Total	350.92
Total Liabilities	5,272.41

fig. 32

In Millions of USD (except for per share items)	
Redeemable Preferred Stock, Total	-
Preferred Stock - Non Redeemable, Net	0.00
Common Stock, Total	0.06
Additional Paid-In Capital	4,616.33
Retained Earnings (Accumulated Deficit)	8,114.52
Treasury Stock - Common	-5,132.47
Other Equity, Total	-173.60
Total Equity	7,424.84
Total Liabilities & Shareholders' Equity	12,697.25
Shares Outs - Common Stock Primary Issue	-
Total Common Shares Outstanding	494.25

fig. 33

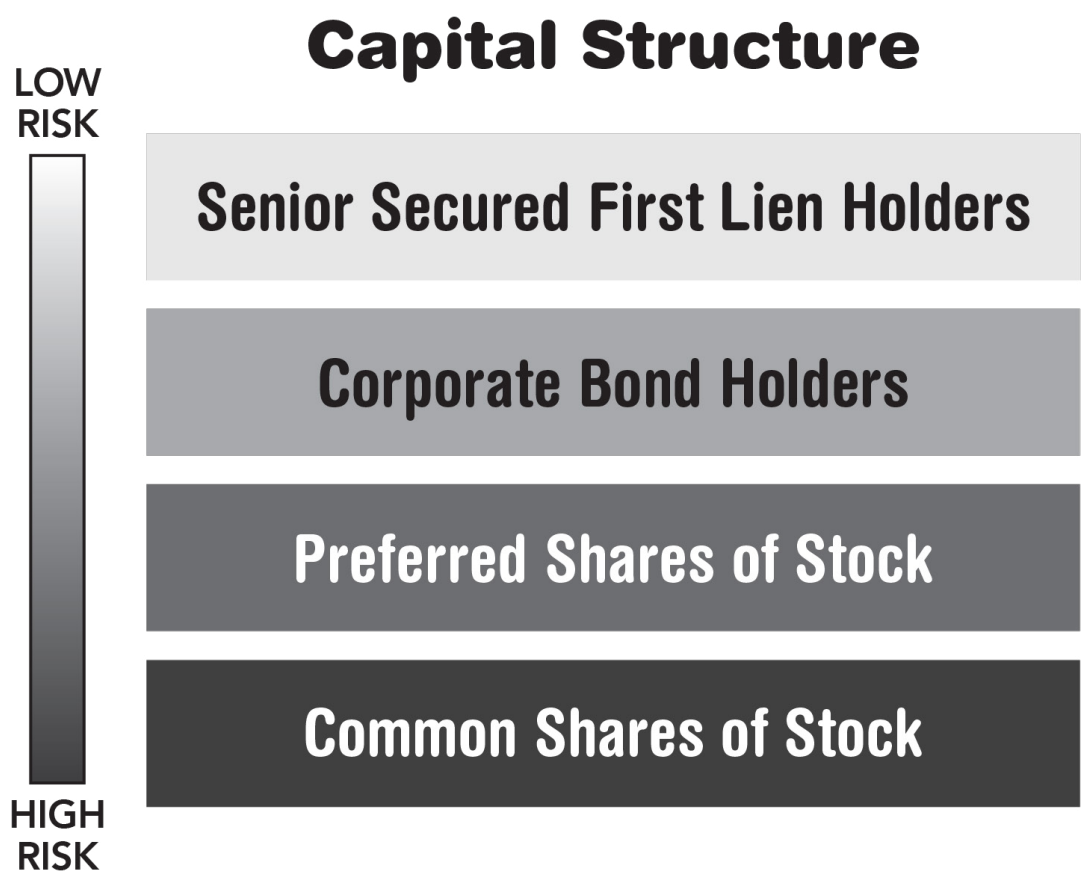


fig. 34

Value Stocks vs. Growth Stocks According to Fama/French

Evaluation Period	Value Stocks Outperform Growth Stocks
1 year	61% of the time
5 year	77% of the time
10 year	88% of the time
15 year	97% of the time

CHAPTER 5

Investment Strategies

fig. 35

Dollar Cost Average Strategy for WIFI Purchase

MONTH	JAN	FEB	MAR	APR	MAY	JUN
Money Spent	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33
Stock Price	\$16	\$13	\$14	\$12	\$14	\$18
Shares Purchased	5	6	6	7	6	5

MONTH	JUL	AUG	SEP	OCT	NOV	DEC
Money Spent	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33	≈ \$83.33
Stock Price	\$20	\$16	\$12	\$13	\$17	\$17
Shares Purchased	4	5	7	6	5	5

fig. 36

Which Market is Best for DCA

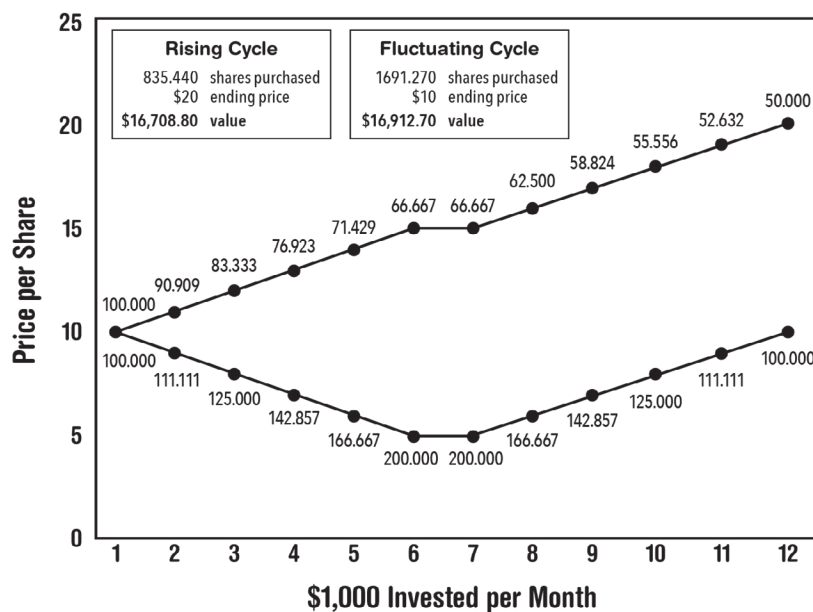


fig. 37

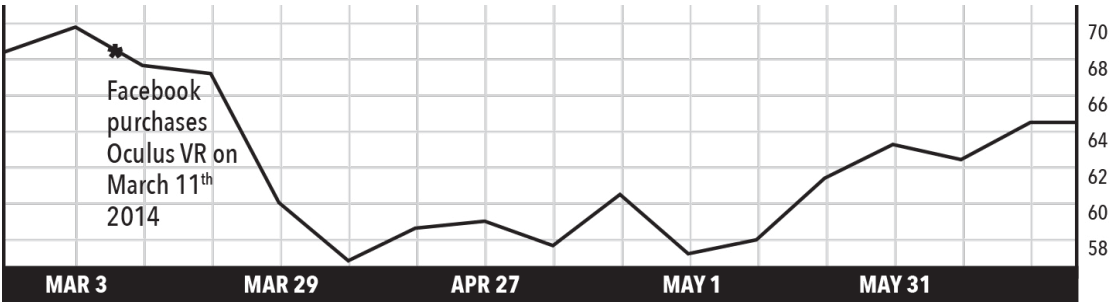


fig. 38

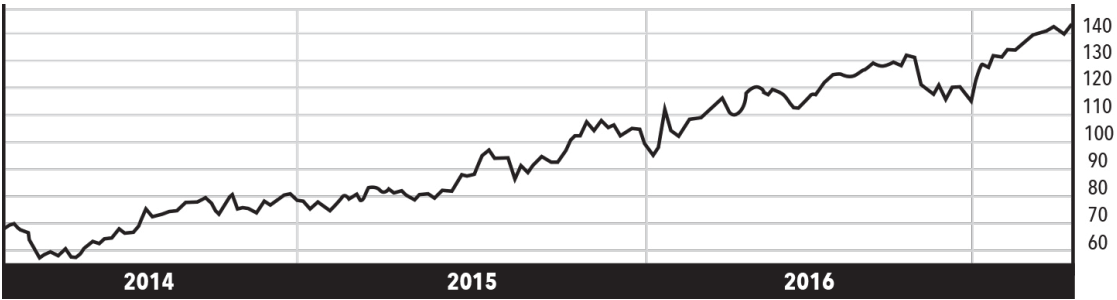


fig. 39

William Johnson ITHAKA GROUP LLC	
38,797 SH 4.74%	-6,570 SH -14.45% sold
Dinakar Singh TPG-AXON MANAGEMENT LP	
29,881 SH 2.98%	-29,881 SH -100% sold
Sol Kumin FOLGER HILL ASSET MANAGEMENT LP	
25,158 SH 1.17%	-20 SH -0.08% sold
John Burbank III PASSPORT CAPITAL LLC	
18,723 SH 0.3%	+10,384 SH 55.46% new
George Soros SOROS FUND MANAGEMENT LLC	
12,700 SH 0.25%	+12,700 SH 100% new

CHAPTER 6

The Short Game

fig. 40

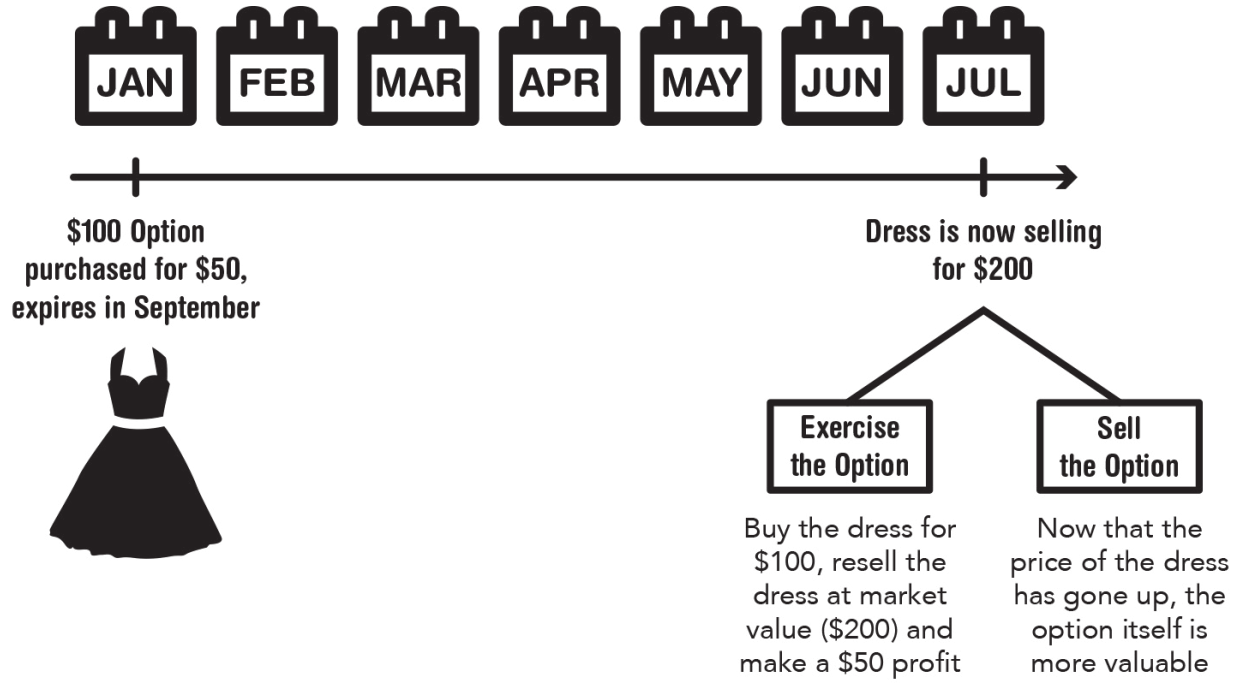


fig. 41

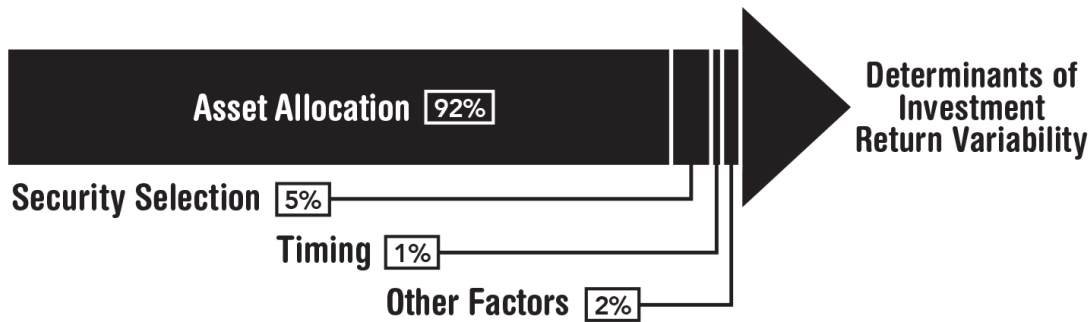
Over the Counter (OTC) Markets	VS.	Traditional Public Exchanges (NYSE, NASDAQ, etc.)
<input checked="" type="checkbox"/>	Stock-issuing companies must have turned a profit	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Trades are supervised by a central mediating authority	<input type="checkbox"/>
<input type="checkbox"/>	Stock prices can easily be manipulated	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Reliable liquidity	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Listed companies must file financial reports with the SEC	<input checked="" type="checkbox"/>

CHAPTER 7

The Short Game

fig. 42

Importance of Asset Allocation



source: "Determinants of Portfolio Performance", Brinson, Hood, & Beebower, Financial Analysts Journal, July-August 1986. Updated 1991. Study conducted analyzing the impact of asset allocation decisions on return variability using three broad asset classes—stocks, bonds, and cash.

GLOSSARY

10-K

Annual financial report that is required of publicly traded companies.

10-Q

Quarterly financial report that supplements the 10-K.

Ask price

The stock price at which a market maker can guarantee a transaction for a buyer. Think of an ask price as the amount someone is willing to immediately accept in order to buy a stock.

Bid price

The stock price at which a market maker can guarantee a transaction for a seller. Think of a bid price as the amount someone is willing to immediately accept in order to sell a stock.

Bond

An IOU issued by a government or private enterprise in exchange for cash. Bondholders (buyers) are paid interest at fixed intervals and rates and are repaid the bond's full principal amount at a future maturity date.

Bubble

When the price of stocks or other securities becomes inflated due to herd behavior and overzealous investor confidence not rooted in sound fundamental analysis.

Call option

An options contract that guarantees the option "owner" the right to purchase a stock at a specified price (strike price) before a specified expiration date.

Capital gain

A profit resulting from an investor's ownership in a stock or other investment that has increased in value and can be sold at a price higher than its original purchase price.

Capital structure

The way in which a company secures capital. The issuance of debt (bonds) and equity (stocks) are the primary methods of securing capital.

Corporate governance

The layout and functioning of a corporation's management, including a system of rules, control hierarchies, policies, values, shareholder interests, community, and other factors.

Correlation

The similar response of certain stocks to various outside factors, scored on a range from -1 to +1. Two stocks are perfectly correlated if they have a correlation value of +1. They are perfectly non-correlated if they have a correlation value of -1.

Cost basis

The cost basis for a stock is the original cost of obtaining the stock adjusted for income obtained through the stock, such as dividends, capital distribution, and any income gained from selling options on the stock.

Covered call

When a trader selling a call option owns the requisite shares in the underlying asset and is therefore able to readily produce the shares if the option is "called in."

Debt-to-asset ratio

Also known as "debt ratio," a ratio used to quantify the percentage of a company's assets that are financed by creditors.

Debt-to-equity ratio

A comparative measurement of the claims on a company's value exerted by creditors vs. the claims exerted by equity holders (shareholders).

Deflation

When fewer units of currency have the power to purchase more goods and services. Deflation results from a decline in available money supply.

Derivative

A security that derives its price from the price of other assets. Examples of derivative securities include options and commodities futures contracts.

Dividend

Cash payment issued by a company to its stockholders on a regular basis, usually quarterly.

Due diligence

The mandated inspection of a security by brokerages that must take place before the broker brings the security to market.

Earnings per share (EPS)

Total company profit divided by total outstanding shares.

Efficient market hypothesis (EMH)

The theory that all available information about a stock is reflected in its current price.

Equity

A party's ownership percentage in a business, corporation, or other property.

ETF (exchange traded fund)

ETFs are a pre-diversified, tradable security, but unlike mutual funds, ETF prices can fluctuate throughout the day. ETFs operate on the market in essentially the same manner as a stock.

Expense ratio

An annual fee charged by the managers of mutual funds or ETFs. Expense ratios account for administrative overhead and other fixed costs of managing the fund or ETF.

Foreign tax withholding

Taxes applied to investment income earned by nonresident investors.

Fundamental analysis

The evaluation of core quantitative and qualitative attributes defining the financial vitality of a security's underlying assets. In the case of stocks, the subject of a fundamental analysis would be the corporation or business that is issuing the stock.

Growth investing

Investing on the basis of a great story, inspired by companies that are making big splashes in relevant market sectors. Growth investors are open to investing in companies with higher levels of debt, higher P/E ratios, and lower earnings per share (EPS). Compare with "value investing."

Growth stock

A stock that may not have particularly competitive financials but is eagerly sought by the market nonetheless on the basis of anticipated growth rather than dividend income.

GTC limit order

A limit order that is “good till canceled.” A GTC, unlike a regular limit order (see definition below) does not expire at the end of the trading day. GTC limit orders expire only after a specified period of days has elapsed or after the investor cancels them. A 60-day GTC limit order, for example, is good for 60 days or until canceled.

Hedge fund

Speculative, actively managed fund aimed at high-net-worth individuals. Hedge fund managers pursue aggressive growth through the use of derivative securities, short positions, and other forms of complex investment strategies.

Index fund

A mutual fund comprised of stocks that reflect the composition of a specific market index.

Index investing

Investing in a mutual fund or ETF comprised of stocks that reflect the composition of a specific market index.

Inflation

The decline of a currency’s purchasing power.

Initial Public Offering (IPO)

The first open-market offering of equity shares in a newly public company.

Leverage

The application of borrowed capital for the purpose of acquiring investments for a greater return potential, albeit with a greater risk. Leverage can enhance returns and exacerbate losses.

Limit order

An order placed to buy or sell a stock if and only if the stock reaches a specified price. Limit orders are distinct from market orders in that there is no guarantee that the transaction will be executed. Unless the limit order is “GTC” (see definition above) it expires at the end of the current trading day.

Liquidity

A measure of how fast a stock or other asset can be turned into cash.

Long position

An investment whereby a return is realized if the purchased security gains value over time.

Long-term capital gain

Profit made from purchasing a security and holding it for at least a year before selling it for a gain. Long-term capital gains are taxed at the capital gains tax rate, which is generally favorable relative to the standard income tax paid on short-term capital gains.

Marketability

The ability to trade a stock or other asset at a given price at a given volume.

Market capitalization

Stock price multiplied by total shares outstanding. Market capitalization is used as a measurement of a company’s overall size and total value.

Market correction

A sudden downturn in the market due to inflated stock prices and general overestimations of the market’s strength.

Market maker

A firm that publicly quotes stock prices to the public. In order to ensure liquidity, market makers must be willing to buy and sell stock at the prices they quote.

Market order

An order to buy or sell stock whereby the broker commits to an immediate transaction at an available market price. Market orders are used when investors prioritize the immediate execution of a trade over the exact price of a trade.

Mutual fund

A professionally managed investment vehicle divided into shares and powered by investments in stocks, bonds, or other securities, and funded by shareholders.

Mutual fund load

The commission paid to an advisor or broker for researching and selecting a mutual fund on a client’s behalf.

NAV (net asset value)

Used to measure the value of a mutual fund. NAV is the aggregate per-share value of all securities that comprise a mutual fund, minus expenses. NAV values do not fluctuate throughout the day like stock values but instead are priced once at the end of each business day to reflect the day’s valuation change.

New York Stock Exchange

The largest stock exchange in the world, as determined by the combined total market capitalization values of the securities represented on the exchange.

Normal yield curve

The standard relationship between a bond’s term and its yield. In a normal yield curve, the longer the bond’s term (the more time allowed to pass before the bond’s face value is returned to the investor) the higher its yield.

Over-the-counter (OTC) market

Trading venues that are networks of dealers. OTC markets are subject to fewer standards and regulations compared to centralized exchange markets but tend to be fair in transacting securities trades.

Part B prospectus

A secondary component of a mutual fund’s prospectus that often includes important variable expense information and other data not found in the general prospectus. Part B prospectuses are usually not issued automatically. They often must be explicitly requested by the investor.

P/E (price-earnings) ratio

A stock evaluation metric that is calculated by dividing a stock’s price by its earnings per share. Stocks with lower P/Es are considered “cheap.” Stocks with higher P/Es are considered more expensive.

Prospectus

A report issued on behalf of a mutual fund disclosing the fund’s strategy, goals, fixed expenses, and risks.

Put option

An options contract that guarantees the option “owner” the right to sell a stock at a certain price (strike price) before a specified expiration date.

Realized capital gain

When an investor sells out of an investment position at a profit: receiving more cash than what he originally paid to buy into the position. Also known as a “realized gain.”

Rebalancing

The investor’s periodic portfolio checkup, ensuring that asset ownership is proportioned evenly with no undue risk resulting from an over- or underabundance of one asset type or another.

REIT (real estate investment trust)

REITs are funds devoted to the acquisition and management of real estate assets for profit. REITs allow investors to own pieces of properties without having to hire a property management company or self-manage.

SEC (Securities & Exchange Commission)

The federal regulatory agency that oversees the buying, selling, and marketing of stocks, bonds, and other financial securities.

Security

A stock, bond, mutual fund, ETF, or other financial instrument that confers financial value to an extent determined by the market's demand.

Settlement date

Regarding the purchase or sale of a stock, the settlement date refers to the date on which the transfer of cash and legal stock ownership actually takes place.

Short position

An investment transaction whereby a gain is realized if the security loses value over time.

Short-term capital gain

Profit made from purchasing a security and then selling it for a gain within a year's time. Short-term capital gains are taxed at your standard income tax rate.

Slippage cost

The difference between an investor's expected price when buying or selling a stock and the actual price paid or received for the stock. Slippage is the result of swift market changes that may transpire between the investor's placement of an order and the broker's execution of that order. Instances of slippage are usually witnessed following the execution of a market or stop-loss order.

Socially responsible investing

The selection of investments on the basis of moral values and/or positive civic, humanitarian, or environmental implications, in addition to financial return potential.

Stock

Equity shares issued by a business or corporation in exchange for capital to further fund business development and growth.

Stock market index

A measurement based on certain attributes of a qualified assortment of stocks. Stock market indexes are used to track the overall performance of various sections of the market. Examples include the Dow Jones Industrial Average, the Nasdaq, and the S&P 500.

Stock split

When a company divides its shares so that each outstanding share is suddenly worth two shares, three shares, or some other multiple. Theoretically, the stock's price will decrease in proportion to the split, but oftentimes the market will try to buoy the stock back toward its pre-split price.

Stop-limit orders

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-limit orders trigger a limit order (see definition) when the stop price is reached.

Stop-loss order

An order to buy or sell a stock in the event that it drops below (or climbs above) a specified price (known as the "stop price"). Stop-loss orders trigger a market order (see definition) when the stop price is reached.

Tax-loss harvesting

Refers to selling a security at a loss in order to offset income and/or capital gains from the sale of other securities.

Technical analysis

Distinct from fundamental analysis, technical analysis is the evaluation of a stock or other security on the basis of its behavior in the market. Technical analysis concentrates on the perceived trends and patterns that affect a stock's price, whereas fundamental analysis is immediately focused on the vitality (financial and otherwise) of the company itself using financial statements and other reported financial data of the company.

Term

A specified period of time that a bondholder must wait until the bond's principal (face value) is returned. The bondholder is paid interest throughout the term. (Also known as "maturity date")

Trading volume

The total quantity of stock shares being traded during a given time interval.

Unrealized capital gain

Also known as an "unrealized gain," an investment position that has appreciated in value and is still being held by the investor. An "unrealized gain" becomes a "realized gain" when the investor sells out of the position in exchange for cash.

Value investing

Investing on the basis of sound financial fundamentals. Value investors invest in companies that consistently turn profits, pay dividends, have low debt, and are undervalued compared to competitors in the same industry.

Value stock

Stock whose valuation will hold up amid the scrutiny of fundamental analysis (see definition above). Value stocks have low P/E ratios, competitive yield, and reasonable debt levels. And they are undervalued compared to competitors in the same industry.

Volatility

The degree to which a stock or other asset's price is subject to fluctuation. Measurements of volatility may also be applied to markets as a whole. Volatility encompasses not only downside market movement but upward movement as well.