ISFM

Way to Financial Abundance

Best Stock Markets School

International School of Financial Markets

Reg. office: **Plot no. 152 - P (LGF), Sec – 38, Medicity Road, NR Bakhtawar Chowk**

Phone : 0124-2200689, +91 9540008689, +91 9953147497, +91 9911878442

Web: www.isfm.co.in , Email : info@isfm.co.in

Accumulation

The act of buying more shares of a security without causing the price to increase significantly. After a decline, a stock may start to base and trade sideways for an extended period. While this base builds, well-informed traders and investors may seek to establish or increase existing long positions. In that case, the stock is said to have come under accumulation.

Accumulation Distribution Line

A momentum indicator that relates price changes with volume. It relates the closing price to the range of prices (H - L). The closer the close is to the high, the more volume is added to the cumulative total.

Advance Decline Line

One of the most widely used indicators to measure the breadth of a stock market advance or decline. The AD line tracks the net difference between advancing and declining issues. It is usually compared to a market average where divergence from that average would be an early indication of a possible trend reversal.

Advance Decline Ratio

The ratio of advancing issues over declining issues. Taking the moving average of the AD ratio will smooth it so it can be used as an overbought and oversold indicator.

Advancing

A market stage of a stock that is characterized by an uptrend with subsequently higher highs and higher lows.

Advancing Declining Issues

A market momentum indicator using the advancing issues and the declining issues. It subtracts the declining issues from the advancing ones and is usually smoothed to make it a good overbought oversold indicator.

Adverse Excursion

The loss attributable to price movement against the position in any single trade.

After Hours

Any trade posting, adjusting, or changes made by specialists or member firm after the official close of the market.

Against Actuals

A transaction generally used by two hedgers who want to exchange futures or cash positions.

Alpha

A measure of the residual risk that an investor takes for investing in a fund rather than a market index. It represents the difference between a mutual fund's actual performance and the performance that would be expected based on the level of risk taken by the fund's manager. If a fund produced the expected return for the level of risk assumed, the fund would have an Alpha of zero. A positive Alpha indicates the manager produced a return greater than expected for the risk taken. A negative Alpha indicates the manager has not adequately rewarded investors for the risks taken.

American Depository Receipt (ADR)

Securities issued by commercial banks that represent the shares of a foreign company. ADRs trade just like normal stocks on various US stock exchanges. Their performance usually parallels that of the parent company on its domestic exchange.

Amortization

The paying off of debt in regular installments over a period of time.

Analyst

A person with expertise in evaluating financial instruments; he or she performs investment research and makes recommendations to institutional and retail investors to buy, sell, or hold. Most analysts specialize in a single industry or business sector.

Arbitrage

The simultaneous buying and selling of securities to take advantage of price discrepancies. Arbitrage opportunities usually surface after a takeover offer.

Area Pattern

A pattern of sideways price movement that follows a stalled uptrend or downtrend of a stock or commodity. Some of these patterns (triangles, flags, wedges etc.) have good predictive value.

Aroon

An indicator system that can be used to determine whether or not a stock is trending and the strength of its trend. The Aroon Oscillator signals an upward trend when it rises above zero and a downward trend when it falls below zero. The farther away the oscillator is from the zero line, the stronger the trend. See ChartSchool article on Aroon.

Aroon Oscillator

An indicator called the Aroon Oscillator can be constructed by subtracting Aroon(down) from Aroon(up). Since Aroon(up) and Aroon(down) oscillate between 0 and +100, the Aroon Oscillator oscillates between -100 and +100 with zero as the center crossover line.

Ascending Trend Channel

An ascending line that connects the bottoms of the down waves and is parallel to a trendline. The ascending channel line and the trendline form borders on an uptrend.

Ascending Triangle

A sideways price pattern between two converging trend lines in which the lower line is rising while the upper line is flat. This is generally a bullish pattern. See Chart School article on Ascending Triangle (Continuation).

Ask

Also known as the “offer”, the price that the market maker guarantees to fill a buy order. A buy order placed at the market will usually be filled at the current asking (offer) price. The ask price is usually greater than the bid price.

Assets

Any possessions that have value in an exchange.

Average Directional Index (ADX)

Part of the Directional Movement System developed by J. Welles Wilder, the ADX line is based on the spread between the +DI and -DI lines from that same system.

Average True Range (ATR)

An indicator that measures a security's volatility. High ATR values indicate high volatility and may be an indication of panic selling or panic buying. Low ATR readings indicate sideways movement by the stock.

Bar Chart

A popular way to display and analyze financial price information in graphical form. The horizontal axis of a bar chart represents the passage of time with the most recent time periods on the right side while the vertical axis represents the stock's price.

Barron's Confidence Index

A weekly index prepared by the publishers of Barrons. The index compares yields of higher grade to lower grade corporate bonds. As yields on lower grade bonds fall, it shows that investors are more confident about the economy. Used for an insight into possible market sentiment about equity securities.

Basing

A period where the stock or market is "catching its breath" after a decline, characterized by a flat trading range without any noticeable trend. It is common to see a basing period after a lengthy decline of the stock price. Basing may be a sign of accumulation.

Basis

The difference between cash prices and the futures contract prices.

Bear

A person who believes prices will decline and might be described as having a "bearish" outlook. Bear markets occur when roughly 80% of all stocks decline for an extended period of time. 1973-74 and 1981-82 have been referred to as bear markets.

Bear Market

A long period of time when prices in the market are generally declining. It is often measured by a percentage decline of more than 20%.

Bear Spread

An option strategy with maximum profit when the price of the underlying securities decline. In futures, short the nearby future and long the deferred in anticipation of a decline in the general level of prices.

Bear Trap

A situation that occurs when prices break below a significant level and generate a sell signal, but then reverse course and negate the sell signal, thus "trapping" the bears that acted on the signal with losses. A bear trap is another form of whipsaw and relates to the spring.

Bearish Divergence

A situation when price records a higher high and the indicator forms a lower high. The indicator does not confirm the higher high in prices and this could foreshadow a reversal. Divergences are most common with momentum oscillators.

Below the Market

A limit order to buy or sell a security for a specific price that is lower than the current market price. If the market does not reach these prices, the order will go unfilled.

Beta

A measure of a security's systematic or market risk. While most stocks move in in the same direction as the stock market, the level of the beta indicates the degree of correlation between a security and the market. The market is the benchmark and has a beta of 1.

Bid

The price at which the market maker guarantees to fill a sell order. A sell order placed at the market will usually be filled at the current bid price. The bid price is usually less than the askprice.

Black Box

A proprietary computerized trading system whose rules are not disclosed or readily accessible.

Breadth

A comparison of the number of issues traded with the number of issues listed for trading. A measurement of the number of issues advancing versus the number of issues declining on a given day or as a moving average. Many measurements are used: advances divided by declines, as a percentage, advances minus declines as a net positive or negative number. The measurement consistently followed is an insight into investor sentiment and is used extensively by market analysts.

Breadth Thrust

Martin Zweig developed this momentum indicator that illustrates a “thrust” when, during a 10 day period, the average number of issues that are advancing goes from below 40% to above 61.5%. This means the market went from being oversold to one of strength, but is not yet considered overbought.

Breakaway Gap

A price gap that forms on the completion of an important price pattern. A breakaway gap usually signals the beginning of an important price move.

Breakout

Price of a security emerging from a previous trading pattern. The new price “breaks out” above the high (or below the low) trading pattern lines that enclose all other prices for that security in the preceding period. Breakouts are used by technical analysts to predict substantial upside or downside movement.

Bull

A person who believes prices will advance and might be described as having a “bullish” outlook. Bull markets occur when roughly 80% of all stocks advance over an extended period of time. 2006-07 and 2014-17 have been referred to as bull markets.

Bull Bear Ratio

The Investor's Intelligence market sentiment indicator which shows the relationship between bullish and bearish advisors. It is interpreted as a contrary indicator, meaning that if it reflects extreme bullishness, the market is probably at a top.

Bull Market

A long period of time when prices in the market are generally increasing.

Bull Trap

A situation that occurs when prices break above a significant level and generate a buy signal, but suddenly reverse course and negate the buy signal, thus "trapping" the bulls that acted on the signal with losses. A bull trap is another form of whipsaw and relates to the upthrust.

Bullish Divergence

A situation when price records a lower low and the indicator forms a higher low. The indicator does not confirm the lower low in prices and this could foreshadow a reversal. Divergences are most common with momentum oscillators.

Buy Signal

A condition that indicates a good time to buy a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using. For example, it's considered a buy signal when the MACD crosses above its signal line.

Buy Stop

A buy order usually placed above the current price, ensuring that a security would have to trade at the set level before the buy order would be activated. at 35. By placing a buy stop order just above resistance, a trader can ensure that the security will break resistance before going long. On the other hand, traders looking to catch a bottom or intraday low might place a buy stop below the current price, but near support.

Buyback

A company's repurchase of its own shares of stock.

Buying Climax

A sudden upward movement in the market value of a security characterized by a gap in the prices between one trading session and the next. Used by technical analysts and often considered an indication that a security has been overbought and the price will fall.

Buying on Margin

A risky short-term strategy where a buyer borrows money from a broker to make an investment. The buyer believes the stock price will rise and is trying to maximize profits by investing more money in the stock.

Call Option

The right to buy a stock or commodity future at a given price before a given date. The owner of the call option is speculating that the price of the stock will go up and is therefore bullish.

Candlestick Chart

A form of Japanese charting that has become popular in the West. A narrow line (shadow) shows the day's price range. A wider body marks the area between the open and the close. If the close is above the open, the body is white (not filled); if the close is below the open, the body is black (filled).

Capital Gain

The profit derived from the selling price exceeding its initial purchase price. A realized capital gain is an investment that has been sold at a profit. An unrealized capital gain is an investment that hasn't been sold yet but would result in a profit if sold. Capital gain is often used to mean realized capital gain.

Chaikin Money Flow (CMF)

An oscillator that helps signal if a stock is undergoing accumulation or distribution. It is calculated from the daily readings of the Accumulation Distribution Line. The CMF is unlike a momentum oscillator in that it is not influenced by the daily price change. Instead, the indicator focuses on the location of the close relative to the range for the period (daily or weekly).

Chaikin Oscillator

This is a moving average of the Accumulation Distribution Line. It was developed by Marc Chaikin. It is created by subtracting a 10-period exponential moving average of the accumulation/distribution line from a 3 period exponential average of it.

Channel

When prices trend between two parallel trendlines, this is referred to as a channel. See ChartSchool article on Price Channel (Continuation).

Channel Line

A straight line drawn parallel to the basic trendline. In an uptrend, the channel line slants up to the right and is drawn above rally peaks; in a downtrend, the channel line is drawn below price troughs and slants down to the right. Prices often meet resistance at rising channel lines and support at falling channel lines.

Commodity Channel Index (CCI)

Developed by Donald Lambert, the CCI is an indicator designed to identify cyclical turns in commodities. It may also be applied to stocks or bonds

Confirmation

A subsequent signal that validates a position stance. Traders and investors sometimes look for more than one signal or require validation before acting. For example, confirmation of a trend change may entail an advance past the previous reaction high. For an indicator such as MACD, confirmation of a divergence may be a subsequent moving average crossover.

Continuation Pattern

A type of chart pattern that occurs in the middle of an existing trend. The previous trend resumes when the pattern is complete. Examples include the Rectangle and Pennantcontinuation patterns. For more continuation patterns,

Contrarian

A trading or investing style based on sentiment. Contrarians are typically bullish when sentiment is excessively bearish. Contrarians are typically bearish when sentiment is excessively bullish. The Put/Call Ratio is sentiment indicator used by contrarians.

Correction

After an advance, a decline that does not penetrate the low from which the advance began is known as a correction. Also referred to as a retracement, a correction usually retraces 1/3 to 2/3 of the previous advance.

Crossover

A point on a graph where two lines intersect. Depending on which lines they are, a crossover may indicate a buy or sell signal. For example, the price line crossing above a moving average line may generate a buy signal. Oscillators such as MACD and Chaikin Money Flow experience centerline crossovers.

Cumulative

A running total of values used to form an indicator. On Balance Volume is a running total of volume. Volume is added on up days and subtracted on down days.

Cup with Handle

A bullish chart pattern that marks a consolidation period followed by a breakout. The "cup" part of the pattern resembles a rounding bottom, and is followed by a "handle" that acts as a final consolidation before a breakout.

Cycles

A price high or low that repeats itself at the same interval over time. Cycle theory asserts that cyclical forces, both long and short, drive price movement in the financial markets.

Cyclical Stocks

Shares of companies that are highly sensitive to economic performance. Cyclical stocks tend to perform well when the economy is growing and suffer when the economy contracts. Chemical (Dupont), transportation (FDX Corp), auto (General Motors), paper (International Paper) and steel (Nucor) represent a few cyclical industries.

Dead Cross

A signal where the shorter moving average moves below the longer moving average. Usually, this term is associated with the 50-day moving average crossing below the 200-day moving average.

Declining

A market stage of a stock that is characterized by a downtrend with subsequently lower highs and lower lows.

Descending Triangle

A sideways price pattern between two converging trendlines in which the upper trendline is descending while the lower line is flat. This is generally a bearish pattern.

Detrended Price Oscillator (DPO)

A price oscillator used to identify cycles in a price plot. DPO is based on the difference in price and a displaced moving average.

Directional Movement Indicator (DMI)

An indicator that plots a positive +DI line measuring buying pressure and a negative -DI line measuring selling pressure. The DMI pattern is bullish as long as the +DI line is above the -DI line. The Average Directional Index line is derived from this indicator and is based on the spread between the +DI and -DI lines.

Distribution

The systematic selling of a security without significantly affecting the price. After an advance, a stock may start forming a top and trade sideways for an extended period. While this top forms, a security's shares may experience distribution as well-informed traders or investors seek to unload positions. A quiet distribution period is usually subtle and not enough to put downward pressure on the price. More aggressive distribution will likely put downward pressure on prices.

Divergence

A situation that occurs when two lines on a chart move in opposite directions vertically. People often look for divergences by comparing a stock's direction to the direction of its RSI, its MACD or its Stochastic Oscillator. There are two kinds of divergences: positive and negative. A positive divergence occurs when the indicator moves higher while the stock is declining. A negative divergence occurs when the indicator moves lower while the stock is rising.

Doji

A candlestick with a body so small that the open and close prices are equal. A Doji occurs when the open and close for that day are the same, or very close to being the same.

Double Bottom Breakdown

A bearish Point & Figure chart pattern that forms when an O-Column breaks below the low of the prior O-Column.

Double Bottom Reversal

A bullish reversal chart pattern that is typically associated with line and bar charts. The pattern forms with two consecutive troughs that are roughly equal, a moderate peak in-between and a resistance breakout.

Double Top Breakout

A bullish Point & Figure chart pattern that forms when an X-Column breaks above the high of the prior X-Column.

Double Top Reversal

A bearish reversal chart pattern that is typically associated with line and bar charts. The pattern forms with two prominent peaks that are roughly equal, a moderate trough in-between and a support break.

Dow Theory

One of the oldest and most highly regarded technical theories. A Dow Theory buy signal is given when the Dow Industrial and Dow Transportation averages close above a prior rally peak. A sell signal is given when both averages close below a prior reaction low.

Down Trendline

A straight line drawn down and to the right above successive rally peaks. The longer the down trendline has been in effect and the more times it has been tested, the more significant it becomes. A violation of the down trendline usually signals a reversal of the downtrend.

Dragonfly Doji

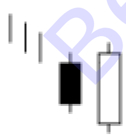
A Doji line where the open and close price are both at the high of the day. Like other Doji days, this one normally appears at market turning points.

Elliott Wave Analysis

An approach to market analysis that is based on repetitive wave patterns and the Fibonacci number sequence. An ideal Elliott wave pattern shows a five wave advance followed by a three wave decline.

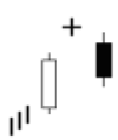
Engulfing Pattern

A reversal pattern that can be bearish or bullish depending upon whether it is in an uptrend or downtrend. The first day is characterized by a small body, followed by a day whose body completely engulfs the previous day's body and closes in the opposite direction of the trend. This pattern is similar to the outside reversal chart pattern, but does not require the entire range (high and low) to be engulfed, just the open and close.



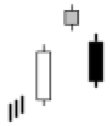
Evening Doji Star

A three-day bearish reversal pattern similar to the Evening Star. The uptrend continues with a large white body. The next day opens higher, trades in a small range, then closes at its open (Doji). The next day closes below the midpoint of the body of the first day.



Evening Star

A bearish reversal pattern that continues an uptrend with a long white body day followed by a gapped up small body day, then a down close with the close below the midpoint of the first day.



Exhaustion Gap

A price gap that occurs at the end of an important trend, and signals that the trend is concluding.

Exponential Moving Average (EMA)

A moving average that gives greater weight to more recent data in an attempt to reduce the lag of (or "smooth") the moving average.

Falling Wedge

A bullish pattern that begins wide at the top and contracts as prices move lower toward a resistance breakout.

Fibonacci Numbers

The Fibonacci number sequence (1,2,3,5,8,13,21,34,55,89,144,...) is constructed by adding the first two numbers to arrive at the third. The ratio of any number to the next number is 61.8 percent, which is a popular Fibonacci retracement number. The inverse of 61.8 percent is 38.2 percent, also used as a Fibonacci retracement number. It is the ratio of the Fibonacci sequence that is important and valuable, not the actual numbers in the sequence.

Flag

A continuation chart pattern that generally lasts less than three weeks and resembles a parallelogram that slopes against the prevailing trend. The flag represents a minor pause in a dynamic price trend.

Fundamental Analysis

A market analyst that relies on economic supply and demand information as opposed to focusing on charts and market indicators for a technical analysis.

Gap

Gaps form when opening price movements create a blank spot on the chart. This occurs when the high of the day is below the low of the previous day or when the low of the day is above the high of the previous day. Gaps are especially significant when accompanied by an increase in volume.

Gap - Breakaway

Breakaway gaps signal a potential change in trend and are especially significant when accompanied by an increase in volume. A bullish breakaway gap forms when a security gaps up after an extended decline. Bullish breakaway gaps can also occur after an extended base or consolidation period. A bearish breakaway gap forms when a security gaps down after an extended advance. Bearish breakaway gaps can also form after an extended top or consolidation period.

Gap - Common

Common gaps occur within a trading range or shortly after a sharp move as a reaction. These gaps do not signify the beginning or continuation of a move, but rather represent anomalies. For instance, if a security has declined 20% in a week and gaps up, it would be considered a common gap and not likely to signify a change in trend. Or, if a trading range develops between 20 and 30, and a gap forms in the middle, it is probably a common gap.

Gap - Continuation

A continuation gap forms in the middle of a move and in the same direction as the current move. These gaps signal a continuation of the preceding trend and can mark good entry points. After a short or intermediate advance, a continuation up gap is usually considered bullish and signals a renewal of the uptrend. After a short or intermediate decline, a continuation down gap is usually considered bearish and signals a renewal of the downtrend. This gap is also called a measuring or runaway gap.

Gap - Exhaustion

After an extended or long move, a gap in the direction of the current move is called an exhaustion gap. For an exhaustion gap to be considered valid, prices should reverse soon after the gap and close the gap. After an extended decline, a gap down could signal that the downtrend is about to exhaust itself. An exhaustion gap is confirmed when prices reverse soon afterward and move above (or "close") the gap. After an extended advance, an exhaustion gap would be confirmed when prices reverse soon afterward and move below the gap.

Gap - Up/Down

An up gap forms when a security opens above the previous period's high, remains above the previous high for the entire period and closes above it. Up gaps can form on daily, weekly or monthly charts and are generally considered bullish. A down gap forms when a security opens below the previous period's low, remains below the previous low for the entire period, and closes below it. Down gaps can form on daily, weekly or monthly charts and are generally considered bearish.

Golden Cross

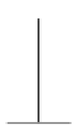
A signal where the shorter moving average moves above the longer moving average. Usually, this term is associated with the 50-day moving average crossing above the 200-day moving average.

Golden Ratio

Also called Phi, the Golden Ratio is 1.618. The inverse of 1.618 is .618. These ratios can be found throughout nature, architecture, art, and biology.

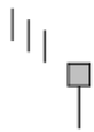
Gravestone Doji

A doji line that develops when the Doji is at, or very near, the low of the day.



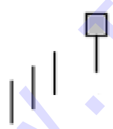
Hammer

Hammer candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low. The resulting candlestick looks like a square lollipop with a long stick. If this candlestick forms during an advance, then it is called a Hanging Man.



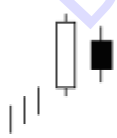
Hanging Man

Hanging Man candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low. The resulting candlestick looks like a square lollipop with a long stick. If this candlestick forms during a decline, then it is called a Hammer.



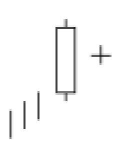
Harami

A two-day pattern that has a small body day completely contained within the range of the previous body, and is the opposite color.



Harami Cross

A two-day pattern similar to the Harami. The difference is that the last day is a Doji.



Head and Shoulders Bottom

A bullish reversal pattern marked by three (or more) prominent troughs with a middle trough (the head) that is lower than the other troughs (the shoulders). When the trend line (neckline) connecting the peaks at the top of the pattern is broken, the pattern is complete.

Head and Shoulders Top

A bearish reversal pattern marked by three (or more) prominent peaks with a middle peak (the head) that is higher than the other peaks (the shoulders). When the trend line (neckline) connecting the troughs at the bottom of the pattern is broken, the pattern is complete.

Hidden Divergence (Bearish)

This situation occurs when the indicator forms a higher high and the security forms a lower high. Relative to the indicator, the security shows weakness that could be bearish. It is a backward bearish divergence.

Hidden Divergence (Bullish)

This situation occurs when the indicator forms a lower low and the security forms a higher low. Relative to the indicator, the security shows strength that could be bullish. It is a backward bullish divergence.

High-Low Index

A breadth indicator based on the number of stocks recording new 52-week highs and new 52-week lows. High-Low Index = (News Highs / (New Highs - New Lows)) x 100. See ChartSchool article on the High-Low Index for more details.

Horizontal Line

A price overlay consisting of a straight, horizontal line on the chart at a specified price level. Note that you can add multiple horizontal lines to a Chart by entering several price levels separated by commas.

Indicator

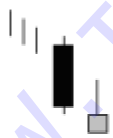
A value, usually derived from a stock's price or volume, that an investor can use to try to anticipate future price movements. Indicators are divided into two groups: trend following or lagging and momentum or leading. Lagging indicators tell you what prices are doing now, or in the recent past, so they are useful when stocks are trending. A moving average is an example of a lagging indicator. Leading indicators are designed to anticipate future price action and many come in the form of oscillators. RSI is an example of a momentum indicator.

Intermarket Analysis

An additional aspect of market analysis that takes into consideration the price action of related market sectors. The four sectors are currencies, commodities, bonds, and stocks. International markets are also included. This approach is based on the premise that all markets are interrelated and impact on one another.

Inverted Hammer

A one-day bullish reversal pattern. In a downtrend, the open is lower, then it trades higher, but closes near its open, therefore looking like an inverted lollipop.



Key Reversal Day

A one-day chart pattern where prices sharply reverse during a trend. In an uptrend, prices open to new highs and then close below the previous day's closing price. In a downtrend, prices open lower and then close higher. The wider the price range on the key reversal day and the heavier the volume, the greater the odds that a reversal is taking place.

Line Chart

Price charts that connect the closing prices of a given market over a span of time, forming a curving line on the chart. This type of chart is most useful with overlay or comparison charts that are commonly employed in intermarket analysis. It is also used for visual trend analysis of open-end mutual funds.

Liquidity

The ease with which a stock may be bought or sold in volume on the marketplace without causing dramatic price fluctuations. A highly liquid stock is characterized by a large volume of trading and a large pool of interested buyers and sellers.

Long-Legged Doji

This candlestick has long upper and lower shadows with the Doji in the middle of the day's trading range, clearly reflecting the indecision of traders.

MACD (Moving Average Convergence/Divergence)

An indicator developed by Gerald Appel that is calculated by subtracting the 26-period exponential moving average of a given security from its 12-period exponential moving average. By comparing moving averages, MACD displays trend following characteristics, and by plotting the difference of the moving averages as an oscillator, MACD displays momentum characteristics.

MACD Histogram

A visual representation of the difference between the MACD line and the MACD signal line. The plot of this difference is presented as a histogram, making the centerline crossovers and divergences easily identifiable.

Marubozu

A candlestick with no shadow extending from the body at either the open, the close or at both. The name means close-cropped or close-cut in Japanese, though other interpretations refer to it as Bald or Shaven Head.

Momentum

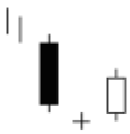
A leading indicator measuring a security's rate-of-change. The ongoing plot forms an oscillator that moves above and below 100. Bullish and bearish interpretations are found by looking for divergences, centerline crossovers, and extreme readings.

Money Flow Index (MFI)

A volume-weighted momentum indicator that measures the strength of money flowing in and out of a security. It compares “positive money flow” to “negative money flow” to create an indicator that can be compared to price in order to identify the strength or weakness of a trend. The MFI is measured on a 0 - 100 scale and is often calculated using a 14 day period.

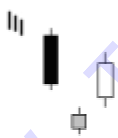
Morning Doji Star

A three-day bullish reversal pattern that is very similar to the Morning Star. The first day is in a downtrend with a long black body. The next day opens lower with a Doji that has a small trading range. The last day closes above the midpoint of the first day.



Morning Star

A three-day bullish reversal pattern consisting of three candlesticks - a long-bodied black candle extending the current downtrend, a short middle candle that gapped down on the open, and a long-bodied white (hollow) candle that gapped up on the open and closed above the midpoint of the body of the first day.



Moving Average (MA)

An average of data for a certain number of time periods. It “moves” because, for each calculation, we use the latest x number of time periods' data. By definition, a moving average lags the market. An exponentially smoothed moving average (EMA) gives greater weight to the more recent data, in an attempt to reduce the lag.

Negative Directional Indicator (-DI)

When the ADX Indicator is selected, SharpCharts plots the Positive Directional Indicator (+DI), Negative Directional Indicator (-DI) and Average Directional Index (ADX). With the black, green and red color scheme on SharpCharts, -DI is the red line that measures the force of the down moves over a set period. The default setting is 14 periods.

Negative Reversal

Developed by Andrew Cardwell, a negative reversal occurs when RSI forms a higher high and the security forms a lower high. It is a backward bearish divergence. See ChartSchool article on Relative Strength Index (RSI).

Net New Highs

Market breadth indicators that can be used to identify strength or weakness behind market moves. Net new highs are found by subtracting the number of new lows from the number of new highs and are usually calculated for the NYSE, Nasdaq, and Amex.

New Highs and New Lows

New highs refers to the number of stocks recording their highest price level in 52 weeks. New lows are the number of stocks recording their lowest price level in 52 weeks. Lists of stocks making new highs and new lows are available for the NYSE, Nasdaq, and Amex. As an indicator, new highs and new lows are usually shown as moving averages to smooth the results and are often plotted together for easy comparison.

On Balance Volume (OBV)

One of the first and most popular indicators to measure positive and negative volume flow, the OBV was introduced by Joe Granville in 1963. The concept behind the indicator is that volume precedes price. OBV is a simple indicator that adds a period's volume when the close is up and subtracts the period's volume when the close is down. A cumulative total of the volume additions and subtractions forms the OBV line. This line can then be compared with the price chart of the underlying security to look for divergences or confirmation..

Oscillator

An indicator that determines when a market is in an overbought or oversold condition. When the oscillator reaches an upper extreme, the market is overbought. When the oscillator line reaches a lower extreme, the market is oversold.

Overbought

A technical condition that occurs when prices are considered too high and susceptible to a decline. Overbought conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp advance from $15 to $30 in 2 weeks might lead a technician to believe that a security is overbought. Or, a security is sometimes considered overbought when the Stochastic Oscillator exceeds 80 and when the Relative Strength Index (RSI) exceeds 70. It is important to keep in mind that overbought is not necessarily the same as being bearish. It merely infers that the stock has risen too far too fast and might be due for a pullback.

Oversold

A technical condition that occurs when prices are considered too low and ripe for a rally. Oversold conditions can be classified by analyzing the chart pattern or with indicators such as the Stochastic Oscillator and Relative Strength Index (RSI). A sharp decline from 30 to 15 in 2 weeks might lead a technician to believe that a security is oversold. Or, a security is sometimes considered oversold when the Stochastic Oscillator is less than 20 and when the Relative Strength Index (RSI) is less than 30. It is important to keep in mind that oversold is not necessarily the same as being bullish. It merely infers that the security has fallen too far too fast and may be due for a reaction rally.

Paper Trade

A hypothetical trade that does not involve any monetary transactions. Paper trading is a risk-free way to learn the ropes of the market.

Parabolic SAR

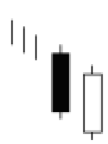
An indicator that sets trailing price stops for long or short positions. Also referred to as the "stop-and-reversal indicator", Parabolic SAR is more popular for setting stops than for establishing direction or trend. If the trend is up, buy when the indicator moves below the price. If the trend is down, sell when the indicator moves above the price.

Pennant

A continuation chart pattern that is similar to the flag, except that it is more horizontal and resembles a small symmetrical triangle. Like the flag, the pennant usually lasts from one to three weeks and is typically followed by a resumption of the prior trend.

Piercing Line

A bullish two-day reversal pattern. The first day, in a downtrend, is a long black day. The next day opens at a new low, then closes above the midpoint of the body of the first day.



Pivot Point

The point at which resistance disintegrates and the stock price begins to rise past the prior resistance level. This point can be considered the optimal time to buy as the bulls are gaining strength.

Position Trading

A style of trading characterized by holding open positions for an extended period of time. Contrast this with day trading, where a trader buys, then sells out of a position before the market closes that day.

Positive Directional Indicator (+DI)

When the ADX Indicator is selected, SharpCharts plots the Positive Directional Indicator (+DI), Negative Directional Indicator (-DI): and Average Directional Index (ADX). With the black, green and red color scheme on SharpCharts, +DI is the green line that measures the force of the up moves. The default setting is 14 periods.

Positive Reversal

Developed by Andrew Cardwell, a positive reversal occurs when RSI forms a lower low and the security forms a higher low. It is a backward bullish divergence.

Price By Volume

A horizontal histogram that overlays a price chart. The histogram bars stretch from left to right starting at the left side of the chart. The length of each bar is determined by the cumulative total of all volume bars for the periods during which the closing price fell within the vertical range of the histogram bar.

Price Channels

Similar to Bollinger Bands, price channels form boundaries above and below the price line and can be used as indicators of volatility. Price channels are created by specifying a number of periods that will chart an n-period high or low around the price line.

Price Objective (P&F)

Very simple calculations based on standard Point & Figure chart patterns. They are of questionable value but we include them on our charts because they have been used for such a long time. .

Price Oscillator (PO)

An indicator based on the difference between two moving averages that is expressed as either a percentage or in absolute terms. The abbreviation PPO refers to the Percentage Price Oscillator, and APO refers to the Absolute Price Oscillator.

Price Patterns

Patterns that appear on price charts possessing predictive values. Patterns are divided into reversal and continuation patterns.

Price Relative

An indicator that compares the performance of one security against that of another by plotting the two as a ratio. For example, Google can be compared to the S&P 500 with a ratio of the prices (Google/S&P 500). Google is outperforming when the ratio rises and underperforming when the ratio falls.

Parabolic SAR

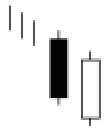
An indicator that sets trailing price stops for long or short positions. Also referred to as the “stop-and-reversal indicator”, Parabolic SAR is more popular for setting stops than for establishing direction or trend. If the trend is up, buy when the indicator moves below the price. If the trend is down, sell when the indicator moves above the price.

Pennant

A continuation chart pattern that is similar to the flag, except that it is more horizontal and resembles a small symmetrical triangle. Like the flag, the pennant usually lasts from one to three weeks and is typically followed by a resumption of the prior trend.

Piercing Line

A bullish two-day reversal pattern. The first day, in a downtrend, is a long black day. The next day opens at a new low, then closes above the midpoint of the body of the first day.



Pivot Point

The point at which resistance disintegrates and the stock price begins to rise past the prior resistance level. This point can be considered the optimal time to buy as the bulls are gaining strength.

Positive Directional Indicator (+DI)

When the ADX Indicator is selected, SharpCharts plots the Positive Directional Indicator (+DI), Negative Directional Indicator (-DI): and Average Directional Index (ADX). With the black, green and red color scheme on SharpCharts, +DI is the green line that measures the force of the up moves. The default setting is 14 periods.

Positive Reversal

Developed by Andrew Cardwell, a positive reversal occurs when RSI forms a lower low and the security forms a higher low. It is a backward bullish divergence.

Price By Volume

A horizontal histogram that overlays a price chart. The histogram bars stretch from left to right starting at the left side of the chart. The length of each bar is determined by the cumulative total of all volume bars for the periods during which the closing price fell within the vertical range of the histogram bar.

Price Channels

Similar to Bollinger Bands, price channels form boundaries above and below the price line and can be used as indicators of volatility. Price channels are created by specifying a number of periods that will chart an n-period high or low around the price line

Price Objective (P&F)

Very simple calculations based on standard Point & Figure chart patterns. They are of questionable value but we include them on our charts because they have been used for such a long time

Price Oscillator (PO)

An indicator based on the difference between two moving averages that is expressed as either a percentage or in absolute terms. The abbreviation PPO refers to the Percentage Price Oscillator, and APO refers to the Absolute Price Oscillator.

Price Patterns

Patterns that appear on price charts possessing predictive values. Patterns are divided into reversal and continuation patterns.

Price Relative

An indicator that compares the performance of one security against that of another by plotting the two as a ratio. For example, Google can be compared to the S&P 500 with a ratio of the prices (Google/S&P 500). Google is outperforming when the ratio rises and underperforming when the ratio falls.

Put/Call Ratio

Based on CBOE statistics (http://www.cboe.com/), the Put/Call Ratio equals the total number of puts divided by the total number of calls. When more puts are traded than calls, the ratio will exceed 1. As an indicator, the Put/Call Ratio is used to measure market sentiment. When the ratio gets too low, it indicates that call volume is high relative to put volume and the market may be overly bullish or complacent. When the ratio gets too high, it indicates that put volume is high relative to call volume and the market may be overly bearish or in panic

Rectangle

A continuation chart pattern where prices move sideways between two different levels for a period of time and then continue moving in the direction of the previous trend. See ChartSchool article on Rectangles.

Relative Strength Comparative

See Price Relative in the glossary or ChartSchool article on Price Relative.

Relative Strength Index (RSI)

A popular oscillator developed by Welles Wilder, Jr. and described in his self-published 1978 book "New Concepts in Technical Trading Systems". RSI is plotted on a vertical scale from 0 to 100. Values above 70 are considered overbought and values below 30, oversold. When prices are over 70 or below 30 and diverge from price action, a warning is given of a possible trend reversal.

Resistance

Resistance is a price level at which there is a large enough supply of a stock available to cause a halt in an upward trend and turn the trend down. Resistance levels indicate the price at which most investors feel that prices will move lower.

Retracement

A decline that retraces a portion of a previous advance, or an advance that retraces a portion of a previous decline. Retracements typically cover 1/3 to 2/3 of the previous move, and a retracement of more than 2/3 typically signals a trend reversal.

Reversal Pattern

A chart pattern that occurs before an existing trend reverses direction. For example, a Head and Shoulders reversal pattern marks a change in trend. A break below neckline support indicates that the H&S pattern is complete and the prior uptrend has reversed. For more reversal patterns,

Reversal Spike

Market turns that happen very quickly with little or no transition period. Spikes often occur when a market has become very overextended in one direction, when a sudden piece of adverse news causes a sudden reversal. Reversal spike highs (aka blowoffs) and lows (aka selling climaxes) can signal a reversal or deceleration of a trend, but unfortunately they are very difficult to forecast.

Rising Wedge

A bearish pattern that begins wide at the bottom and contracts as prices move higher toward a support break.

Rounding Bottom

Also known as a saucer bottom, it is a reversal chart pattern representing a long consolidation period that turns from a bearish bias to a bullish bias.

Runaway Gap

A price gap that usually occurs around the middle point of an important market trend. For that reason, it is also called a measuring or continuation gap.

Sell Signal

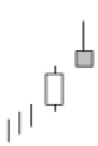
A condition that indicates a good time to sell a stock. The exact circumstances of the signal will be determined by the indicator that an analyst is using. For example, it's often considered a sell signal when the RSI crosses down through the 50 level.

Sentiment Indicators

Psychological indicators that attempt to measure the degree of bullishness or bearishness in a market. These are contrary indicators and are used in much the same fashion as overbought or oversold oscillators. Their greatest value is when they reach upper or lower extremes.

Shooting Star

A single day pattern that can appear in an uptrend. It opens higher, trades much higher, then closes near its open. It looks just like the Inverted Hammer except that it is bearish.



Short Selling

The process of selling a stock with the hope of buying it back at a lower price (sell high, buy low). Short sellers are bearish and believe the price will decline. Short selling involves borrowing stock (usually from the broker) to sell short and using margin to finance the borrowing. If the price of the stock in question advances too far, the short seller will receive a margin call and be required to put up more money. A short squeeze occurs when the price advances so fast that short sellers are forced to cover their positions (buy the stock back), which drives prices even higher.

Signal Line

Also known as a “trigger line”, it is a moving average of another indicator that is used to generate simple buy and sell signals. Probably the most used signal line is the one that is built into the MACD Indicator display. The signal line is the exponential moving average of the MACD line. A buy signal is generated when the MACD line crosses above the signal line and a sell signal is generated when the MACD line crosses below the signal line.

Simple Moving Average

A moving average that gives equal weight to each day's price data.

Spinning Top

Candlestick lines that have small bodies with upper and lower shadows that exceed the length of the body. Spinning tops signal indecision.

Stochastic Oscillator

A momentum indicator developed by George Lane that measures the price of a security relative to the high/low range over a set period of time. The indicator oscillates between 0 and 100, with readings below 20 considered oversold and readings above 80 considered overbought. A 14-period Stochastic Oscillator reading of 30 would indicate that the current price was 30% above the lowest low of the last 14 days and 70% below the highest high. The Stochastic Oscillator can be used like any other oscillator by looking for overbought/oversold readings, positive/negative divergences, and centerline crossovers.

StochRSI

An oscillator used to identify overbought and oversold readings in RSI. Because RSI can go for extended periods without becoming overbought (above 70) or oversold (below 30), StochRSI provides an alternative means to identify these extremities. StochRSI is found by applying the Stochastics formula to RSI readings – hence its name. As an indicator of RSI, it measures the value of RSI relative to its high/low range over a set number of periods. When RSI records a new low for the set period, StochRSI will be at 0. When RSI records a new high for the set period, StochRSI will be at 100. See ChartSchool article on StochRSI.

Stocks Above Their 200-day Moving Average

A market breadth indicator that represents the number of stocks in a given group that have closing prices that are currently above their 200-day simple moving average. Common techniques for using this indicator include locating overbought/oversold levels and finding positive or negative divergences between this indicator and the underlying group's composite index.

Stocks Above Their 50-day Moving Average

A market breadth indicator that represents the number of stocks in a given group that have closing prices that are currently above their 50-day simple moving average. Common techniques for using this indicator include locating overbought/oversold levels and finding positive or negative divergences between this indicator and the underlying group's composite index.

Support

A price level at which there is sufficient demand for a stock to cause a halt in a downward trend and turn the trend up. Support levels indicate the price at which most investors feel that prices will move higher.

Swing Charting

A concept based on the use of a filter. Once prices have moved by the distance specified by this filter, a new line is drawn next to the previous one. In a nutshell, it is a chart that shows up and down price movement of a minimum size regardless of the time it takes.

Symmetrical Triangle

A sideways chart pattern between two converging trend lines in which the upper trend line is declining and the lower trend line is rising. This pattern represents an even balance between buyers and sellers, although the prior trend is usually resumed. The breakout through either trend line signals the direction of the price trend.

Technical Analysis

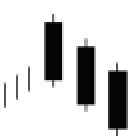
The study of market action, usually with price charts, which includes volume and open interest patterns. Also called chart analysis, market analysis, and more recently, visual analysis.

TED Spread

The difference between the three-month US Treasury rates and the three-month Eurodollar contract. Used to measure the strength of the credit markets.

Three Black Crows

A bearish reversal pattern consisting of three consecutive black bodies, where each day closes at or near its low and opens within the body of the previous day.



Three White Soldiers

A bullish reversal pattern consisting of three consecutive white bodies, each with a higher close. Each should open within the previous body and the close should be near the high of the day.

Top-Down Approach

An approach to market analysis used by both fundamental and technical analysts. It often begins with a more “macro” analysis of the overall market through major indices (S&P 500, Dow, NYSE etc.) before concentrating on the market at a more “micro” level. Strong and weak sectors of the market are analyzed before focusing on individual stocks within select groups.

Topping

A period where the stock or market is “catching its breath” after an advance, characterized by a flat trading range without any noticeable trend. It is common to see a topping period after a lengthy increase of the stock price. Topping may be a sign of distribution.

Trailing Stop

A stop-loss level set above or below the current price that adjusts as the price fluctuates. For a long position, a trailing stop would be set below the current price and would rise as the price advances. Should the price decline and reach the trailing stop, then a stop-loss would be triggered and the position closed. As long as the price remains above the trailing stop, the position is held. Indicators such as the Parabolic SAR or moving averages can be used to set trailing stops.

Trend

Refers to the direction of prices. Rising peaks and troughs constitute an uptrend; falling peaks and troughs constitute a downtrend. A trading range is characterized by horizontal peaks and troughs. Trends are generally classified into major (longer than a year), intermediate (one to six months), or minor (less than a month).

Trend Lines

Straight lines drawn on a chart below reaction lows (in an uptrend) or above rally peaks (in a downtrend) that determine the steepness of the current trend. The breaking of a trend line usually signals a trend reversal. See ChartSchool article on Trend Lines.

Triangles

Sideways price patterns in which prices fluctuate with converging trend lines. The three types of triangles are the symmetrical, the ascending, and the descending.

Triple Bottom Breakdown

A bearish Point & Figure chart pattern that forms when an O-Column breaks below the equal lows of the two prior O-Columns. See ChartSchool article on the P&F Triple Bottom Breakdown.

Triple Bottom Reversal

A bullish reversal pattern typically associated with line and bar charts. The pattern forms with three equal lows, at least one intermittent high to mark resistance and a breakout above resistance. See ChartSchool article on Triple Bottom (Reversal).

Triple Top Breakout

A bullish Point & Figure chart pattern that forms when an X-Column breaks above the equal highs of the two prior X-Columns. See ChartSchool article on the P&F Triple Top Breakout.

Triple Top Reversal

A bearish reversal pattern typically associated with line and bar charts. The pattern forms with three prominent peaks, at least one intermittent low to mark support and break below support. See ChartSchool article on Triple Top (Reversal).

Typical Price

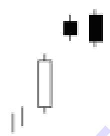
The typical price is the average of the high, low and close. Typical Price = (High + Low + Close)/3

Ultimate Oscillator

An oscillator that attempts to combine information for several different time periods into one number. Three different time periods are used, typically a 7-day period, a 14-day period, and a 28-day period. The resulting oscillator is "bounded" in that it moves between 0 and 100 with 50 as the center line. 70 and 30 are used as overbought/oversold levels. See ChartSchool article on the Ultimate Oscillator.

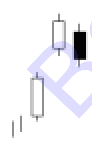
Upside Gap Two Crows

A three-day bearish pattern that only happens in an uptrend. The first day is a long white body, followed by a gapped open with the small black body remaining gapped above the first day. The third day is also a black day whose body is larger than the second day and engulfs it. The close of the last day is still above the first long white day.



Upside Tasuki Gap

A continuation pattern with a long white body followed by another white body that has gapped above the first one. The third day is black and opens within the body of the second day, then closes in the gap between the first two days, but does not close the gap.



Uptrend Line

A straight line drawn upward and to the right below the reaction lows. The longer the uptrend line has been in effect and the more times it has been tested, the more significant it becomes. Violation of the trend line usually signals that the uptrend may be changing direction.

Volatility

A measurement of change in price over a given period. It is usually expressed as a percentage and computed as the annualized standard deviation of the percentage change in daily price. The more volatile a stock or market, the more money an investor can gain (or lose!) in a short time.

Volatility (Implied)

A key variable in most option pricing models, including the famous Black-Scholes Option Pricing Model. Other variables usually include security price, strike price, risk-free rate of return, and days to expiration. If all other variables are equal, the security with the highest volatility will have the highest option prices. Many Nasdaq and tech stocks (CSCO and AMGN) have higher volatilities than NYSE and non-tech stocks (G and MRK), and their options are also priced accordingly. One method of measuring volatility is by finding the standard deviation of the underlying security. However, the standard deviation cannot always explain the volatility that is implied by an option's price. Many times the price of an option will reflect more volatility than that measured by the standard deviation. This led to the notion of implied volatility, which is based on option prices. If the option price is known, then plugging in all variables and solving for volatility will yield the implied volatility.

Volatility Index ($VIX)

The Market Volatility Index (VIX) measures the volatility of the market. A recent news story described it as “the options market's gauge of investor fear.” Traders use VIX as a general inverse indicator of market volatility and sentiment. High numbers mean that there's excess bearishness, and low numbers indicate excess bullishness. The VIX is updated intraday by the Chicago Board Options Exchange (CBOE), using Standard & Poors 500 Index (SPX) bid/ask quotes. It was created in 1993.

Volume

The number of trades in a security over a period of time. On a chart, volume is usually represented as a histogram (vertical bars) below the price chart. The NYSE and Nasdaq measure volume differently. For every buyer, there is a seller: 100 shares bought = 100 shares sold. The NYSE would count this as one trade and as 100 shares of volume. However, the Nasdaq would count each side of the trade and as 200 shares volume.

Washout Day

A selling climax or high volume decline that “washes out” all the sellers and paves the way for buyers to take over. This may also take the form of a high volume hammer after an extended decline.

Wedge

A reversal chart pattern characterized by two converging trendlines that connect at an apex. The wedge is slanted either downwards or upwards demonstrating bullish or bearish behavior respectively.

Weekly Reversal

An upside weekly reversal is present when prices open lower on Monday and then on Friday, close above the previous week's close. A downside weekly reversal opens the week higher but closes down by Friday.

Weighted Average

A moving average that uses a selected time span, but gives greater weight to the more recent price data. Weighted Close A weighted average of the high, low and close that places more weight on the closing value by counting it twice.

Whipsaw

A whipsaw occurs when a buy or sell signal is reversed in a short time. Volatile markets and sensitive indicators can cause whipsaws. For example, a whipsaw would occur if a position trader initiates a long position on a bullish MACD crossover and has to close it the next day because of a bearish moving average crossover. The signal was reversed and the trader had to exit quickly.

Williams %R

Developed by Larry Williams, Williams %R is a momentum indicator much like the Stochastic Oscillator and is especially popular for measuring overbought and oversold levels. The scale ranges from 0 to -100 with readings from 0 to -20 considered overbought, and readings from -80 to -100 considered oversold. Typically, Williams %R is calculated using 14 periods and can be used on intraday, daily, weekly or monthly data.

Zig Zag

The Zig Zag overlay is a collection of straight lines that connect significant tops and bottoms on a price graph. It takes a single parameter that specifies the percentage that the price must move in order for a new "zig" or "zag" to appear. Zig Zag does not predict trends and should not be used on its own .


EDUCATION
is an investment
not expenditure!
just think out of the box!
Call Now
0124-2200689
YOUR ONE POINT SOLUTIONS FOR
ALL INVESTMENT EDUCATION
JOIN NOW
BEST STOCK MARKET SCHOOL
idea
• Equity • Derivatives • Commodity • Currency
• Mutual Fund • Bond • Debenture
• Technical Analysis • Fundamental Analysis
www.isfm.co.in