GLOSSARY

Enrichers Private Limited

You Need Customization...

73.A Gulberg Main Lahore Pakistan

111-367-424

www.enrichers.com.pk

info@enrichers.com.pk

GLOSSARY

1. **Arbitrage**

   Basically this is the art of buying something cheap in one place and selling it at a profit somewhere else. The rise of global electronic trading has made this process much faster and easier, enabling arbitrageurs – as they're called – to switch huge sums of money across continents in seconds in attempt to exploit small differences in the quoted price of investment in different markets – foreign currency, for example.

   In share trading, so-called risk arbitrageurs attempt to make profits from the usual share price movements of companies that are in takeover situations. These investors will simultaneously buy stock in the target company, whose share price normally rises, while selling that of the bidder, whose share price normally falls. They will also invest in the target company if they think there's a chance the bidder will have to raise the offer price.

2. **Bullion**

   Gold and silver that is officially recognized as high quality (at least 99.5% pure), and is in the form of bars rather than coins.

3. **Bull Market**

   A financial market of a group of instruments in which prices are rising or are expected to rise. Bull markets are characterized by optimism, investor confidence and economic prosperity.

4. **Bear Market**

   A market condition in which the price of financial instruments are falling. As investors anticipate downside, they take short positions to profit from the negative moves.

5. **Bid Price**

   The price at which a market participant will buy a commodity.

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6. **Contract Month**
   The month in which delivery is to be made in accordance with the terms of the futures contract. .Also referred to as Delivery Month.

7. **Churning**
   Excessive trading that results in the broker deriving a profit from commissions while disregarding the best interests of the customers.

8. **Cash Settlement**
   A method of settling certain futures or options contracts whereby the market participants settle in cash (payment of money rather than delivery of the commodity).

9. **Chicago Mercantile Exchange - CME**
   The world's second-largest exchange for futures and options on futures and the largest in the U.S. Trading involves mostly futures on interest rates, currency, equities, stock indices and a small amount on agricultural products.

10. **C.S.R**
    Clearing, Settlement & Reporting.

11. **Commission**
    Payment made to a sales person or intermediary (e.g. broker) in return for services in execution of transaction.

12. **Commodity**
    A basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

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13. **Clearing Fee**
    The fee charged on market transactions by the clearing house of a commodity exchange.

14. **Day Trader**
    A speculator who will normally initiate and offset a position within a single trading session.

15. **Demo Account**
    A trading account that allows an investor to review and test the features of a trading platform before funding the account or placing trades. A demo account is typically "funded" with simulated money, which allows the investor to conduct fictitious trades in order to become familiar with the ins and outs of the platform.

16. **Derivatives Demutualized Exchange**
    Demutualization is the process by which a customer-owned mutual organization or co-operative changes legal form to a joint stock company

17. **Derivatives**
    A derivative instrument is a contract between two parties that specifies conditions (especially the dates and values of the underlying commodities) under which payments, or payoffs, are to be made between the parties.

18. **Discretionary Account**
    An arrangement by which the owner of the account gives written power of attorney to someone else, usually the broker or a Commodity Trading Advisor, to buy and sell without prior approval of the account owner. Also referred to as a Managed Account.

19. **E.T.S**
    Electronic Trading System.

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20. Exchange Clearing House

Each futures exchange has a clearing association which operates in conjunction with the exchange in a manner similar to a bank clearing house. NCEL has an in house clearing department. All brokers are members of the “Clearing House”. Every clearing house member must put up fixed original margins and maintain them with the clearing house in the advent of adverse price fluctuations. In such instances, the clearing house may request for additional margin payment. The exchange has the final say in all instances where a dispute arises.

21. Futures Contract

A legally binding agreement to buy or sell a commodity or financial instrument at a later date. Futures contracts are normally standardized according to the quality, quantity, delivery time and location for each commodity, with price as the only variable.

22. Hedging

A transaction tending to the opposite effect of original transaction, engaged in to minimize a potential loss of the latter.

23. Kibor

Karachi Interbank Offered Rate (KIBOR) is a daily reference rate based on the interest rates at which banks borrow unsecured funds from other banks in the Pakistan wholesale money market (or interbank market).

24. Last Traded Price

Last traded price is the price just before the final bell each day. It is used for the daily settlement process.

25. Leverage

The ability to control large dollar amounts of a commodity with a comparatively small amount of capital.

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26. **Long**
    A buyer of a futures contract. Someone who buys a futures contract is often referred to as being long that particular contract.

27. **M.B.P**
    Market by Price.

28. **Margins**
    A margin is cash or marketable securities deposited by an investor with his or her broker. The balance in the margin account is adjusted to reflect daily settlement.

29. **Margin Trading**
    A term describing the process by which commodity speculators trade in futures by only the margin (i.e. the deposit) on a contract valued many times higher than the margin, thus permitting, if successful, a profit far exceeding the original outlay.

30. **Margin Call**
    A requirement for an increase in the original deposit placed on a futures contract, when the buyer/ seller has increased the number of contracts, or when market prices have become heavily adverse.

31. **Marked to Market**
    A calculation of the profit or loss made on trading of financial instruments by comparing the contracted prices for an asset with the closing market price.

32. **Mercantile**
    Related to, or characteristic of trade or traders; commercial activity.

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33. **Net Liquidity**
    Total cash balance of the account.

34. **Nymex**
    The New York Mercantile Exchange (NYMEX) is a commodity futures exchange owned and operated by CME Group of Chicago.

35. **Open Interest**
    Open Interest is the total number of contracts outstanding. It is equal to the number of long positions or number of short positions.

36. **Offer Price**
    The price at which a market participant will sell a commodity.

37. **Order**
    An instruction from a client to a broker to buy / sell a commodity. An order may be a **market order** to buy or sell at the best price the broker can obtain at the time of execution. Alternatively, the client may impose a **limit order** to buy / sell only if the price hits a specified level.

38. **Positions**
    Current Outstanding positions in the market.

39. **Quotation**
    The actual price or the bid or ask price of either cash commodities or futures or options contracts at a particular time.

40. **Realized Profit / (Loss)**
    Profit / (Loss) made on a closed position.

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41. Scalper

A trader who trades for small, short-term profits during the course of a trading session, rarely carrying a position overnight.

42. Short

A seller of a futures contract. Someone who sells a futures contract is often referred to as being short that particular contract.

43. Spot Price

The current price at which a particular commodity can be bought or sold at a specified time and place.

44. Spread

The difference between the current bid and the current ask of a given commodity, on an exchange.

45. T.A.M.S

Trader Account management System.

46. Unrealized Profit / (Loss)

Profit / (Loss) on a position currently open in the market, with & without commission.

47. Variation Margin

A variable margin payment that is made by clearing members to their respective clearing houses based upon adverse price movements of the futures contracts that these members hold.

48. Volatility

A measurement of the change in price over a given time period. A highly volatile share can be risky for short-term investors who stand a greater chance of buying at a peak and selling in a trough at a loss.

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49. **Value-At-Risk (VAR)**
    VAR models are used to calculate the risks involved in ownership of financial securities which are subject to changing market prices of the underlying assets.
50. **Working Orders**
    Limit Orders placed in the market but not executed.

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