

## TECHNICAL ANALYSIS OF STOCKS & COMMODITIES

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## TRADERS' GLOSSARY



**Alpha** — Premium that an investment portfolio earns above a given point of reference; a market-independent measure of stock performance.

**Cup With Handle** — Accumulation pattern observed on bar charts. The cup is in the shape of a "U" and the handle is usually more than one or two weeks in duration. The handle is a slight downward drift with low trading volume from the right-hand side of the formation.

**Exchange Traded Funds (ETFs)** — Collections of stocks bought and sold as a package on an exchange, principally the AMEX, but also the NYSE and the CBOE.

**Floor Traders** — Employees of brokerage firms working on exchange trading floors.

**Head & Shoulders** — When the middle price peak of a given tradable is higher than those around it.

**Hedge Fund** — A mutual fund involving speculative investing in stocks and options.

**HOLDRS (Holding Company Depositary Receipts)** — Created by Merrill Lynch, they represent ownership in stocks of a sector, group, or industry.

**Implied Volatility** — The volatility computed using the actual market prices of an option contract and one of a number of pricing models. For example, if the market price of an option rises without a change in the price of the underlying stock or future, implied volatility will have risen.

**Keltner channel** — A volatility-based indicator that uses an envelope of upper and lower moving-average bands to measure stock movement.

**Resistance** — A price level at which rising prices have stopped rising and either moved sideways or reversed direction; usually seen as a price chart pattern.

**Stop-Loss** — The risk management technique in which the trade is liquidated

to halt any further decline in value.  
**Stop-Running** — After a trend, the market will enter into a trading range and have a tendency to trade to levels where stop-loss orders have been placed.

**Straddle** — The purchase or sale of an equivalent number of puts and calls on an underlying stock with the same exercise price and expiration date.

**Strangle** — The purchase or sale of an equivalent number of puts and calls on an underlying stock with the same expiration date but a different exercise price. Usually, the put has a low strike price and the call has a higher strike price.

**Support** — A historical price level at which falling prices have stopped falling and either moved sideways or reversed direction; usually seen as a price chart pattern.

**Whipsaw** — Losing money on both sides of a price swing.

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