Junior Trader

A-Z Guide to Financial Markets

2026 Edition

A

Term	Definition	Example
Acquisition	An acquisition is the purchase of one company by another. The acquiring company usually seeks to gain control of the target company's assets, customers, technology, market share or expertise. Acquisitions can be friendly, where both parties agree to the transaction, or hostile, where the target company resists the takeover.	*In 2016, Microsoft acquired LinkedIn for approximately $26 billion. Microsoft gained access to LinkedIn's professional network and data, while LinkedIn benefited from Microsoft's resources and technology.*
Active Investor	An active investor makes their own investment decisions by researching companies, markets and economic trends. Unlike passive investors who simply track an index, active investors aim to outperform the market through stock selection, timing and analysis. Active investing requires time, knowledge and ongoing monitoring.	*An investor who researches UK bank shares, studies company accounts and chooses individual investments rather than buying a FTSE 100 tracker fund is acting as an active investor.*
Active Management	Active management is an investment approach where a fund manager selects investments with the goal of outperforming a benchmark index. The manager uses research, analysis and judgement to identify opportunities and manage risks. Performance depends heavily on the skill of the manager.	*A UK Equity Fund manager may choose to hold more shares in defence companies and fewer shares in retailers if they believe this will generate better returns than the FTSE 100.*
Algorithmic Trading	Algorithmic trading uses computer programs to execute trades automatically according to predefined rules. These rules may be based on price movements, trading volumes, economic announcements or other market signals. Algorithmic trading now accounts for a significant proportion of activity in modern financial markets.	*A trading algorithm may automatically buy shares when a company's results exceed analysts' expectations and sell them when a target profit level is reached.*
Alternative Investment Market (AIM)	AIM is the London Stock Exchange's market for smaller and growing companies. It was designed to help businesses raise capital while operating under a more flexible regulatory framework	*Many UK technology, healthcare and renewable energy companies choose AIM as a stepping stone*

	than the Main Market. AIM often attracts younger companies with higher growth potential but also higher risk.	*before potentially moving to the Main Market.*
Analyst	An analyst is a financial professional who researches companies, industries, markets or economic trends. Analysts produce reports, forecasts and recommendations that help investors make informed decisions. Different analysts may specialise in equities, bonds, economics or specific sectors.	*An equity analyst covering UK banking shares may assess the prospects of HSBC, Barclays and Lloyds before issuing investment recommendations.*
Annual General Meeting (AGM)	An Annual General Meeting is the yearly meeting of a company's shareholders. It is used to present accounts, vote on company resolutions, appoint or reappoint directors and ask questions of the board. AGMs are an important part of shareholder accountability and corporate governance.	*A shareholder in HSBC may attend the company's AGM and vote on resolutions relating to directors, dividends and executive pay.*
Artificial Intelligence (AI)	Artificial Intelligence refers to computer systems that can perform tasks which traditionally require human intelligence, such as recognising patterns, analysing information, learning from data and making predictions. AI is increasingly used across financial services for fraud detection, risk management, trading, customer service and investment analysis. As AI adoption grows, it is becoming an increasingly important driver of productivity and economic change.	*Many investment firms now use AI tools to analyse company reports, news articles and market data in order to identify potential investment opportunities more efficiently.*
Asset	An asset is anything of economic value that is owned by an individual, company or organisation. Assets can generate income, appreciate in value or be used to support business operations. Assets may be tangible, such as property, or intangible, such as intellectual property.	*A company may own office buildings, cash deposits, shares in other businesses and registered patents. All of these would be recorded as assets on its balance sheet.*
Asset Allocation	Asset allocation is the process of dividing investments between different asset classes such as shares, bonds, cash and property. The aim is to balance risk and return according to an investor's objectives, time horizon and tolerance for risk. Asset allocation is one of the most important drivers of long term investment performance.	*A pension fund might invest 60% in shares, 30% in bonds and 10% in property to achieve a balance between growth and stability.*

Asset Class	An asset class is a broad category of investments that share similar characteristics and are subject to similar market influences. The main asset classes are shares, bonds, property, cash and commodities. Investors often spread money across different asset classes to improve diversification and manage risk.	*A pension fund may allocate 60% to shares, 25% to bonds, 10% to property and 5% to cash, with each asset class contributing different risk and return characteristics.*
Authorisation	Authorisation is the formal approval required before a firm can carry out certain regulated financial activities. In the UK, many financial services businesses must obtain authorisation from the Financial Conduct Authority or Prudential Regulation Authority. Authorisation helps ensure firms meet appropriate standards of competence and conduct.	*A financial adviser cannot legally provide regulated investment advice in the UK without obtaining the appropriate regulatory authorisation.*

B

Term	Definition	Example
Bank of England	The Bank of England is the central bank of the United Kingdom. Its responsibilities include setting monetary policy, maintaining financial stability, supervising parts of the banking system and issuing banknotes in England. The Bank's Monetary Policy Committee meets regularly to decide whether interest rates should be raised, lowered or left unchanged.	*If inflation rises significantly above the Bank of England's target, the Monetary Policy Committee may increase interest rates to help slow spending and bring inflation back under control.*
Bear Market	A bear market is a prolonged period in which investment prices fall and investor confidence is generally negative. A decline of 20% or more from recent highs is commonly used as a guide, although there is no official definition. Bear markets are often associated with economic uncertainty, recession or financial crises.	*During the early stages of the Covid 19 pandemic, many global stock markets fell sharply and entered bear market territory as investors reacted to economic disruption and uncertainty.*
Bear Trap	A bear trap occurs when prices fall temporarily, encouraging investors to sell or take short positions, before quickly recovering and moving higher. Bear traps can cause losses for investors who assume a temporary decline signals the start of a larger downturn.	*A share price may fall 10% following a disappointing news headline, only to recover and reach new highs after investors reassess the company's long term prospects.*
Benchmark	A benchmark is a standard used to measure investment performance. Fund managers are often assessed by comparing their returns against a benchmark index. Benchmarks help investors determine whether a portfolio has outperformed or underperformed the wider market.	*A UK Equity Fund may use the FTSE 100 as its benchmark. If the fund returns 12% while the FTSE 100 returns 8%, the manager has outperformed the benchmark.*
Beneficiary	A beneficiary is a person or organisation entitled to receive benefits from a trust, pension, will or financial arrangement. Beneficiaries may receive income, capital or other assets according to the terms of the arrangement.	*A grandparent may establish a trust for their grandchildren, who become the beneficiaries and may receive funds at a specified age.*

Bid Price	The bid price is the highest price a buyer is willing to pay for a security at a particular moment. It forms one side of a market quotation, with the offer price representing the lowest price a seller is willing to accept. The difference between the two is known as the spread.	*If a share is quoted at 495p bid and 500p offer, an investor selling immediately would normally receive approximately 495p per share.*
Blockchain	Blockchain is a type of digital ledger that records transactions across a network of computers. Once information has been added to the blockchain, it is extremely difficult to alter. Blockchain technology underpins many cryptocurrencies but is also being explored for wider financial and commercial applications.	*Bitcoin uses blockchain technology to record and verify transactions without relying on a central authority such as a bank.*
Blue Chip	A blue chip company is a large, financially strong and well established business with a history of reliable performance. Blue chip companies are often leaders within their industries and are commonly held by pension funds and long term investors.	*Companies such as Microsoft, Unilever and Coca Cola are often regarded as blue chip investments because of their size, stability and long operating history.*
Bond	A bond is a loan made by investors to a government, company or other organisation. In return, the issuer normally pays interest and agrees to repay the original amount borrowed on a specified date. Bonds are generally considered less risky than shares, although risk varies between issuers.	*An investor purchasing a £1,000 government bond with a 4% coupon would typically receive £40 of annual interest until the bond matures.*
Bonus Issue	A bonus issue occurs when a company distributes additional shares to existing shareholders free of charge. The total value of a shareholder's investment does not normally change immediately because the share price adjusts to reflect the increased number of shares in issue.	*An investor holding 1,000 shares may receive one additional share for every ten held, increasing their holding to 1,100 shares.*
Broker	A broker is a person or firm that arranges the purchase and sale of financial instruments on behalf of clients. Brokers act as intermediaries between buyers and sellers and may provide additional services such as research, advice and market access.	*Most retail investors use an online broker to buy and sell shares, ETFs and investment funds through a trading account.*
Bull Market	A bull market is a prolonged period in which investment prices rise and investor confidence is generally positive. Bull markets are	*Following the Global Financial Crisis, US stock markets experienced one of*

	often associated with economic growth, rising company profits and strong market sentiment.	*the longest bull markets in modern history, supported by economic recovery and technological growth.*

C

Term	Definition	Example
CAC 40	The CAC 40 is the leading stock market index in France. It tracks 40 of the largest and most actively traded companies listed on the Paris stock exchange and is often used as a measure of French market performance.	*Companies such as LVMH, Airbus and TotalEnergies are members of the CAC 40 and help determine its performance.*
Call Option	A call option is a derivative contract that gives the holder the right, but not the obligation, to buy an asset at a predetermined price before a specified date. Investors often use call options when they expect prices to rise.	*An investor who believes a share price will increase from £10 to £15 may buy a call option allowing them to purchase the shares at £10.*
Capital	Capital refers to money or assets available for investment, business growth or wealth creation. Companies raise capital to fund expansion, while investors allocate capital in pursuit of returns.	*A technology start up may raise £5 million of capital from investors to develop new products and hire additional staff.*
Capital Allocation	Capital allocation is the process by which a company decides how to use its financial resources. Management may choose to invest in growth projects, repay debt, acquire other businesses, pay dividends or repurchase shares. Effective capital allocation is one of the most important responsibilities of senior management.	*A company generating £100 million of profit may invest £50 million in expansion, repay £20 million of debt and return £30 million to shareholders.*
Capital Gains Tax (CGT)	Capital Gains Tax is a tax charged on profits made when certain assets are sold for more than their purchase price. The tax generally applies only to the gain rather than the total sale proceeds and may be subject to allowances or exemptions.	*An investor buying shares for £5,000 and later selling them for £8,000 may be liable for tax on the £3,000 gain, depending on applicable allowances.*
Capital Market	Capital markets are financial markets where long term funding is raised and traded through instruments such as shares and bonds. Capital markets play a vital role in connecting investors with businesses and governments seeking finance.	*A company raising money through an Initial Public Offering is accessing the capital market to obtain long term funding.*

Cash Flow	Cash flow refers to the movement of money into and out of a business, investment or household. Positive cash flow occurs when more money is received than spent, while negative cash flow occurs when spending exceeds income.	*A rental property generating £1,500 per month in rent and £1,000 in expenses produces a positive monthly cash flow of £500.*
Cash Reserve	A cash reserve is money set aside to meet future obligations, manage unexpected events or take advantage of opportunities. Maintaining appropriate cash reserves can improve financial resilience during periods of uncertainty, although holding too much cash may reduce long term returns.	*A business may hold six months of operating expenses in cash reserves to help withstand a temporary downturn in trading conditions.*
Central Bank	A central bank is an institution responsible for managing a country's monetary system, financial stability and currency. Central banks influence interest rates, money supply and economic conditions.	*The Bank of England, European Central Bank and US Federal Reserve are all examples of central banks.*
Collective Investment Scheme	A collective investment scheme pools money from multiple investors into a professionally managed portfolio. Investors benefit from diversification and professional management while sharing the returns and risks of the underlying investments.	*An investor purchasing units in a global equity fund gains exposure to hundreds of companies through a single investment.*
Commodity	A commodity is a raw material or primary agricultural product that can be bought and sold. Commodities are often grouped into categories such as energy, metals and agricultural products. Their prices are influenced by supply, demand, weather, geopolitics and economic conditions.	*Gold is often viewed as a store of value during uncertainty, while oil prices are heavily influenced by global demand and production levels.*
Compliance	Compliance is the process of ensuring that a business follows relevant laws, regulations, industry standards and internal policies. In financial services, compliance teams help firms avoid misconduct, protect customers and maintain market integrity.	*A bank's compliance department may monitor transactions for signs of money laundering and ensure staff follow regulatory requirements.*
Concentration Risk	Concentration risk arises when too much of a portfolio, business or income stream depends on a single investment, sector, customer or asset. While concentration can increase returns when things go well, it can also lead to significant losses if the	*An investor who places all of their savings into a single technology company faces significantly greater concentration risk than an investor*

	concentrated exposure performs poorly. Diversification is one of the primary ways to reduce concentration risk.	*holding a diversified global equity fund.*
Corporate Governance	Corporate governance refers to the systems, controls and processes used to direct and manage a company. Good governance promotes accountability, transparency and responsible decision making, helping to protect shareholders and other stakeholders.	*A company with an independent board of directors, clear reporting procedures and strong internal controls is often considered to have good corporate governance.*
Correlation	Correlation measures the extent to which two investments move in relation to one another. A high positive correlation means investments tend to move in the same direction, while a low or negative correlation means they often behave differently. Correlation is important in portfolio diversification.	*Shares in two major banks may have high correlation because they are influenced by similar factors, whereas gold and equities may sometimes show lower correlation.*
Counterparty Risk	Counterparty risk is the possibility that the other party to a financial transaction will fail to meet its obligations. This risk is particularly important in lending, derivatives and international finance, where contracts rely on both parties performing as agreed.	*If a company enters into a derivatives contract with a bank, it faces counterparty risk if the bank cannot fulfil its side of the agreement.*
Credit Rating	A credit rating is an assessment of a borrower's ability to repay debt. Ratings are typically assigned by specialist agencies and help investors evaluate risk before lending money. Higher ratings generally indicate lower perceived risk.	*Governments and companies may receive ratings from agencies such as Moody's, Standard & Poor's and Fitch.*
Credit Risk	Credit risk is the possibility that a borrower will fail to repay money owed. Investors and lenders use credit analysis to assess this risk before providing finance. Higher credit risk usually requires a higher interest rate to compensate the lender.	*A lender may charge a higher interest rate to a borrower with a weaker credit profile because the risk of non-payment is greater.*
Crowdfunding	Crowdfunding is the process of raising money from a large number of individuals, usually through an online platform. It is often used by start ups, charities and small businesses seeking finance from a wide supporter base.	*A technology start up may raise £500,000 from hundreds of investors through a crowdfunding platform such as Crowdcube.*

Cryptocurrency	A cryptocurrency is a digital asset that uses cryptography and distributed ledger technology to record transactions and control ownership. Cryptocurrencies operate independently of most central banks and governments and can be highly volatile.	*Bitcoin was the first widely adopted cryptocurrency and remains one of the largest by market value.*
Custodian	A custodian is a financial institution responsible for safeguarding assets on behalf of investors. Custodians hold securities, process transactions and help ensure assets are properly accounted for.	*A pension fund may use a global custodian bank to hold shares, bonds and other investments on behalf of its members.*

D

Term	Definition	Example
Debt	Debt is money borrowed by an individual, business or government that must be repaid, usually with interest. Debt can be used to finance spending, investment or growth, but excessive debt can create financial risk.	*A company may issue bonds to raise debt capital for expansion, while a homeowner may take out a mortgage to buy a property.*
Decacorn	A decacorn is a privately owned company valued at more than $10 billion. The term is commonly used in the technology sector to describe exceptionally successful high growth businesses that remain private.	*Revolut achieved decacorn status before considering a potential stock market listing.*
Default	Default occurs when a borrower fails to meet the terms of a financial obligation, such as making an interest payment or repaying a loan. Defaults can result in financial losses for lenders and investors.	*If a company cannot make scheduled payments on its bonds, it may be considered to be in default.*
Defensive Stock	A defensive stock is a share in a company whose earnings are generally less affected by economic cycles. Defensive businesses often provide essential products or services and may therefore experience more stable demand during recessions.	*Companies operating in healthcare, utilities and consumer staples are often considered defensive stocks because people continue to use their products in difficult economic conditions.*
Deposit	A deposit is money placed with a financial institution for safekeeping or investment. Deposits may earn interest and are often protected by deposit protection schemes, subject to limits.	*Money held in a savings account at a bank is a deposit.*
Derivative	A derivative is a financial contract whose value is linked to an underlying asset, index, interest rate or other benchmark. Derivatives are commonly used for hedging, speculation and risk management.	*Futures, options and swaps are derivatives. An airline might use derivatives to manage fuel price risk.*

Digital Asset	A digital asset is an asset that exists primarily in electronic form and has value because ownership rights can be transferred or recorded digitally. Digital assets include cryptocurrencies and tokenised securities.	*Bitcoin is a digital asset, while some financial institutions are developing tokenised versions of traditional investments such as bonds.*
Digital Wallet	A digital wallet is software or hardware used to store, manage and transfer digital assets. Wallets may be used for cryptocurrencies, digital payments or tokenised assets.	*A cryptocurrency investor may use a digital wallet to store and transfer Bitcoin securely.*
Diversification	Diversification is the practice of spreading investments across different assets, sectors or regions to reduce risk. It helps ensure that poor performance in one area does not have an excessive impact on a portfolio.	*An investor holding shares in companies from different industries and countries is generally more diversified than one holding a single stock.*
Dividend	A dividend is a payment made by a company to its shareholders, usually from profits. Companies may pay dividends regularly or retain profits for future growth and investment.	*Many FTSE 100 companies pay dividends to shareholders every six months, providing income as well as potential capital growth.*
Dividend Yield	Dividend yield measures the annual dividend paid by a company as a percentage of its current share price. It is commonly used by investors seeking income.	*If a company pays an annual dividend of 50p and its shares trade at £10, the dividend yield is 5%.*
Dow Jones Industrial Average	The Dow Jones Industrial Average is one of the most widely followed stock market indices in the United States. It tracks 30 large and influential American companies.	*Companies such as Apple, Microsoft and Goldman Sachs are members of the Dow Jones Industrial Average.*

E

Term	Definition	Example
Earnings	Earnings represent the profits generated by a company over a specific period after expenses have been deducted from revenue. Investors closely monitor earnings because they are a key indicator of financial performance.	*A listed company may announce quarterly earnings that exceed market expectations, causing its share price to rise.*
Earnings Per Share (EPS)	Earnings Per Share measures how much profit a company generates for each share in issue. It is widely used when assessing profitability and valuation.	*If a company earns £100 million and has 50 million shares in issue, its Earnings Per Share is £2.00.*
Economic Cycle	The economic cycle describes the recurring pattern of expansion, slowdown, recession and recovery experienced by economies over time. Understanding economic cycles can help investors and businesses make more informed decisions.	*During an expansion, consumer spending and business investment often increase. During a recession, economic activity may contract and unemployment may rise.*
Economic Growth	Economic growth refers to an increase in the value of goods and services produced by an economy over time. It is usually measured using Gross Domestic Product.	*If a country's GDP increases from £2 trillion to £2.1 trillion, the economy has experienced economic growth.*
Enterprise Value (EV)	Enterprise Value is a measure of a company's total value that takes account of both its equity and its debt. Many investors consider Enterprise Value to provide a more complete picture of a business than market capitalisation alone because it reflects the overall cost of acquiring the company.	*Two companies may each have a market capitalisation of £1 billion, but if one has significantly more debt than the other, its Enterprise Value will be higher.*
Equity	Equity represents ownership in a company through shares. Equity investors participate in the success or failure of a business and may benefit from rising share prices and dividend payments. However, they also bear the risk of losses if the company performs poorly.	*Purchasing shares in Tesco, Apple or Unilever gives an investor an equity stake in those businesses.*

ESG	ESG stands for Environmental, Social and Governance. These factors are increasingly used by investors to assess how responsibly and sustainably a company operates alongside traditional financial measures.	*An ESG focused investment fund may favour businesses with strong environmental policies and robust corporate governance practices.*
ETF (Exchange Traded Fund)	An Exchange Traded Fund is a pooled investment fund that trades on a stock exchange in the same way as a share. Most ETFs are designed to track the performance of an index, sector or asset class, providing investors with diversification through a single investment. ETFs are often popular because they are transparent, relatively low cost and easy to trade.	*The Vanguard S&P 500 ETF allows investors to gain exposure to approximately 500 of the largest companies in the United States through a single investment.*
Ex Dividend	A share is described as trading ex dividend when a new buyer is no longer entitled to receive the next declared dividend payment. The share price often falls slightly on the ex dividend date to reflect this.	*If an investor purchases shares after the ex dividend date, the next dividend payment will normally go to the previous shareholder.*
Exchange	An exchange is an organised marketplace where financial instruments such as shares, bonds, derivatives and commodities are bought and sold. Exchanges help provide transparency, liquidity and efficient price discovery.	*The London Stock Exchange allows investors to buy and sell shares in companies such as HSBC, Shell and AstraZeneca.*
Exchange Rate	An exchange rate is the value of one currency relative to another. Exchange rates constantly change due to economic conditions, interest rates, trade flows and investor sentiment.	*If the GBP/USD exchange rate is 1.35, one British Pound can be exchanged for 1.35 US Dollars.*
Exchange Traded Commodity (ETC)	An Exchange Traded Commodity is a security that provides exposure to a commodity or commodity market and trades on a stock exchange. ETCs allow investors to gain exposure to commodities without directly owning them.	*An investor wishing to gain exposure to gold may purchase a gold ETC rather than storing physical bullion.*

F

Term	Definition	Example
Family Office	A family office is a private organisation established to manage the wealth, investments and financial affairs of a wealthy family. Family offices may oversee investments, tax planning, philanthropy and succession planning.	*A successful entrepreneur who sells their business for several hundred million pounds may establish a family office to manage their long term wealth.*
FCA (Financial Conduct Authority)	The Financial Conduct Authority is the UK's conduct regulator for financial services. It aims to protect consumers, maintain confidence in financial markets and promote effective competition. Most firms providing investment or financial services to the public must comply with FCA requirements.	*A financial adviser providing investment advice to retail clients must be authorised and regulated by the FCA.*
Financial Statement	A financial statement is a formal report that provides information about the financial performance and position of a business. The three principal financial statements are the Income Statement, Balance Sheet and Cash Flow Statement.	*An investor reviewing a company's annual report will typically examine its financial statements before deciding whether to invest.*
FinTech	FinTech refers to the use of technology to improve, automate or transform financial services. FinTech businesses operate in areas such as payments, lending, investing, banking and insurance.	*Companies such as Monzo, Revolut and Wise are examples of successful FinTech businesses that have challenged traditional banking models.*
Fiscal Policy	Fiscal policy refers to government decisions relating to taxation and public spending. Governments use fiscal policy to influence economic growth, employment and inflation.	*A government may increase infrastructure spending during an economic slowdown in an attempt to stimulate growth and create jobs.*
Floating Rate Note (FRN)	A Floating Rate Note is a bond whose interest payments vary according to a benchmark interest rate. Unlike fixed rate bonds, the income received by investors changes over time.	*A bond linked to SONIA may pay interest at SONIA plus an additional fixed percentage margin.*

Foreign Exchange (Forex)	The foreign exchange market is the global marketplace where currencies are traded. It is the largest and most liquid financial market in the world.	*A British company importing goods from Europe may exchange Pounds for Euros through the foreign exchange market.*
Forward Contract	A forward contract is a customised agreement between two parties to buy or sell an asset at a predetermined price on a future date. Forwards are often used to manage risk.	*An exporter expecting to receive US Dollars in six months may use a forward contract to lock in an exchange rate today.*
FTSE 100	The FTSE 100 is the leading UK stock market index and contains the 100 largest companies listed on the London Stock Exchange by market capitalisation. It is often used as a measure of the performance of the UK equity market.	*Companies such as Shell, HSBC, AstraZeneca and Unilever are members of the FTSE 100 Index.*
FTSE 250	The FTSE 250 Index contains the 250 companies below the FTSE 100 in terms of market capitalisation. It is often regarded as a better reflection of the domestic UK economy because many constituents generate a greater proportion of their revenues within the UK.	*Investors sometimes compare the performance of the FTSE 250 and FTSE 100 to understand differences between the UK domestic economy and larger multinational businesses.*
Fund	A fund is a pooled investment vehicle that collects money from multiple investors and invests it according to a defined strategy. Funds allow investors to access professional management and diversification.	*A global equity fund may invest in hundreds of companies across North America, Europe and Asia on behalf of thousands of investors.*
Fund Manager	A fund manager is a professional responsible for making investment decisions on behalf of a fund and its investors. Their role includes research, portfolio construction, risk management and monitoring performance.	*A UK Equity Fund Manager may decide whether to increase or reduce exposure to sectors such as banking, healthcare or technology.*
Futures Contract	A futures contract is a standardised agreement traded on an exchange to buy or sell an asset at a specified price on a future date. Futures are commonly used for hedging and speculation.	*An airline may use oil futures contracts to reduce the risk of rising fuel prices, while traders may use futures to speculate on market movements.*

G

Term	Definition	Example
GDP (Gross Domestic Product)	Gross Domestic Product is the total value of all goods and services produced within a country over a specific period, usually a quarter or a year. GDP is one of the most widely used measures of economic activity and is often used to assess the size and health of an economy. Rising GDP generally indicates economic growth, while falling GDP may signal economic weakness.	*If the UK's GDP increases from £2.5 trillion to £2.6 trillion over a year, the economy has grown. Governments, businesses and investors closely monitor GDP figures when making decisions.*
Gilt	A Gilt is a bond issued by the UK Government to raise money. Investors who buy Gilts effectively lend money to the Government in return for regular interest payments and repayment of the original amount at maturity. Gilts are generally considered lower risk than corporate bonds because they are backed by the Government.	*An investor purchasing a 10 year Gilt may receive annual interest payments before receiving the original investment back when the bond matures.*
Governance	Governance refers to the framework of rules, controls and processes used to direct and manage an organisation. Good governance helps ensure accountability, transparency and responsible decision making. Investors often consider governance when assessing the quality of a company.	*A company with an independent board of directors, strong internal controls and transparent reporting is generally considered to have strong governance standards.*
Green Bond	A Green Bond is a bond issued specifically to finance projects that deliver environmental benefits. These projects may include renewable energy, energy efficiency, sustainable transport or climate adaptation initiatives.	*A government may issue a Green Bond to help fund offshore wind farms, electric transport infrastructure or large scale environmental projects.*
Growth Stock	A growth stock is a company expected to increase its revenue and profits faster than the overall market. Growth companies often reinvest profits into expansion rather than paying large dividends.	*Technology companies are frequently classified as growth stocks because investors expect future earnings to increase significantly.*

H

Term	Definition	Example
Hedge	A hedge is an investment or transaction designed to reduce the risk of loss from another investment. Hedging does not eliminate risk entirely but aims to reduce the impact of adverse market movements.	*An investor holding US shares may hedge currency risk by using financial instruments that offset movements in the US Dollar exchange rate.*
Hedge Fund	A hedge fund is an investment fund that uses a broad range of strategies to generate returns. These strategies may include leverage, derivatives, short selling and complex trading techniques. Hedge funds are typically aimed at professional or sophisticated investors.	*A hedge fund manager may profit from both rising and falling share prices by combining long and short positions within a portfolio.*
Hedging	Hedging is the process of reducing risk by taking an offsetting position in another asset or financial instrument. It is widely used by businesses, investors and financial institutions.	*An airline may hedge fuel costs by purchasing oil futures contracts, helping to reduce the financial impact of rising fuel prices.*
High Frequency Trading (HFT)	High Frequency Trading is a form of algorithmic trading that uses powerful computers and high speed connections to execute large numbers of trades in fractions of a second. HFT firms seek to profit from very small price movements repeated many times.	*A High Frequency Trading firm may execute thousands of trades each day, earning small profits from differences in prices across markets.*
Holder	A holder is a person or organisation that owns a financial asset or security. Holders may receive benefits such as dividends, interest payments or voting rights depending on the asset.	*The holder of a company share may receive dividend payments and have the right to vote at shareholder meetings.*

I

Term	Definition	Example
Impact Investing	Impact investing involves making investments with the intention of generating both financial returns and measurable positive social or environmental outcomes. Investors seek to balance profit with wider societal benefits.	*An impact investment fund may provide capital to businesses developing affordable healthcare solutions or renewable energy technologies.*
Income Investing	Income investing is an investment approach focused on generating regular income rather than primarily seeking capital growth. Income investors often favour dividend paying shares, bonds and property investments.	*A retiree may build a portfolio of dividend paying shares and government bonds to generate a regular income stream.*
Index	An index is a statistical measure used to track the performance of a group of investments. Indices are commonly used to represent markets, sectors or regions and are often used as benchmarks by investors and fund managers.	*The FTSE 100 tracks the performance of 100 of the largest companies listed in the United Kingdom, while the S&P 500 tracks major US companies.*
Index Fund	An index fund is an investment fund designed to replicate the performance of a particular market index. Index funds are a popular form of passive investing because they generally offer broad diversification and relatively low costs.	*A FTSE 100 Index Fund seeks to deliver returns that closely match the performance of the FTSE 100 Index by investing in the same companies.*
Inflation	Inflation measures the rate at which prices for goods and services increase over time. Rising inflation reduces the purchasing power of money because the same amount of money buys fewer goods and services.	*If inflation is 5%, an item costing £100 today would typically cost approximately £105 one year later if prices rose at the same rate.*
Initial Public Offering (IPO)	An Initial Public Offering is the process by which a private company sells shares to the public for the first time and becomes listed on a stock exchange. IPOs are often used to raise capital and increase a company's profile.	*When Deliveroo listed on the London Stock Exchange, it completed an IPO and offered shares to public investors.*

Insider Dealing	Insider dealing occurs when someone buys or sells securities using confidential information that is not available to the public. Insider dealing is illegal because it gives certain investors an unfair advantage.	*Purchasing shares before a secret takeover announcement becomes public could constitute insider dealing.*
Insolvency	Insolvency occurs when an individual or company is unable to pay debts as they become due. Insolvency may lead to restructuring, administration or liquidation.	*A company with large debts and insufficient cash flow may enter administration after becoming insolvent.*
Interest Rate	An interest rate is the cost of borrowing money or the return earned on savings, expressed as a percentage. Interest rates influence spending, investment and economic activity.	*When the Bank of England raises interest rates, mortgage repayments often increase and borrowing may become more expensive.*
Investment Bank	An investment bank is a financial institution that helps companies and governments raise capital, provides advice on mergers and acquisitions, and supports capital markets transactions.	*An investment bank may advise a company on a stock market flotation or help arrange a multi billion pound acquisition.*
Investment Trust	An Investment Trust is a closed ended investment company whose shares trade on a stock exchange. Investment Trusts pool money from investors and are managed by professional fund managers.	*Scottish Mortgage Investment Trust invests in a portfolio of global growth companies on behalf of its shareholders.*
ISA (Individual Savings Account)	An ISA is a tax efficient savings and investment account available to UK residents. Investments and income generated within an ISA are generally free from UK Income Tax and Capital Gains Tax.	*An investor may hold shares, funds and ETFs within a Stocks and Shares ISA while benefiting from tax advantages.*

J

Term	Definition	Example
Junior ISA (JISA)	A Junior ISA is a tax efficient savings and investment account designed for children under the age of 18. Contributions can be made by parents, relatives or friends, subject to annual limits.	*Parents may invest regularly into a Junior ISA to help fund future university costs or provide long term financial support.*

K

Term	Definition	Example
Key Performance Indicator (KPI)	A Key Performance Indicator is a measurable value used to assess progress towards a business objective. KPIs help management and investors evaluate performance.	*A retailer may use revenue growth, profit margins and customer retention rates as key performance indicators.*

L

Term	Definition	Example
Large Cap	A Large Cap company is a business with a large market capitalisation. Large Cap companies are often established market leaders with significant resources and global operations.	*Companies such as Microsoft, Apple and HSBC are commonly classified as Large Cap stocks.*
Leverage	Leverage is the use of borrowed money to increase the size of an investment. While leverage can amplify gains, it can also magnify losses and increase risk significantly.	*An investor with £10,000 who borrows another £10,000 controls £20,000 of investments. A 10% gain produces a larger profit, but a 10% loss also produces a larger loss.*
Liability	A liability is a financial obligation owed by an individual, business or organisation. Liabilities include loans, mortgages, trade creditors and other debts.	*A company that has borrowed £5 million from a bank records that borrowing as a liability on its balance sheet.*
Limit Order	A limit order is an instruction to buy or sell a security only at a specified price or better. Limit orders give investors greater control over execution prices.	*An investor may place an order to buy shares only if the price falls to £5.00 or below.*
Liquidity	Liquidity refers to the ease with which an asset can be bought or sold without significantly affecting its market price. Highly liquid assets can usually be traded quickly.	*Shares in large listed companies are generally more liquid than property or specialist collectibles.*
Liquidity Risk	Liquidity risk is the possibility that an asset cannot be sold quickly at a fair price when cash is needed. Less liquid investments may become difficult to sell during market stress.	*A commercial property investor may face liquidity risk because selling a building often takes much longer than selling a listed share.*
Liquidity Trap	A liquidity trap is an economic situation in which interest rates are very low and people choose to hold cash rather than spend or	*Following a major downturn, consumers and businesses may save money rather than spend it,*

	invest it. In these circumstances, lowering interest rates further may have little effect on economic activity.	*even when borrowing costs are extremely low.*
Listing	A listing occurs when a company's shares are admitted to trading on a stock exchange. Listing gives businesses access to capital markets and allows investors to buy and sell shares more easily. Listed companies must comply with regulatory and reporting requirements.	*When a private company completes an IPO and joins the London Stock Exchange, its shares become listed and available for public trading.*
London Stock Exchange (LSE)	The London Stock Exchange is the principal stock exchange in the United Kingdom and one of the oldest exchanges in the world. It provides a marketplace where investors can buy and sell shares, bonds and other financial instruments.	*Companies such as AstraZeneca, HSBC and Shell have shares traded on the London Stock Exchange.*
Long Position	A long position exists when an investor owns an asset and expects its value to increase over time. Most traditional investing involves taking long positions in shares, bonds or other investments.	*An investor buying shares in a company because they believe profits will grow is taking a long position.*

M

Term	Definition	Example
Margin	Margin is money borrowed from a broker to increase the size of an investment position. Trading on margin can increase potential returns but also magnifies losses and therefore increases risk.	*An investor with £10,000 who borrows an additional £10,000 from a broker is investing on margin and controls a £20,000 position.*
Market Capitalisation	Market capitalisation is the total market value of a company's shares in issue. It is calculated by multiplying the share price by the number of outstanding shares. Market capitalisation is commonly used to compare the size of listed companies.	*If a company has 500 million shares in issue and each share trades at £8, its market capitalisation is £4 billion.*
Market Maker	A market maker is a firm that continuously quotes prices at which it is willing to buy and sell securities. Market makers help provide liquidity and make it easier for investors to trade.	*If an investor wants to sell shares immediately, a market maker may purchase them and then offer them for sale to another investor.*
Market Order	A market order is an instruction to buy or sell a security immediately at the best available price. Market orders prioritise speed of execution rather than price certainty.	*An investor who wishes to purchase shares instantly during market hours may place a market order through their broker.*
Market Price	Market price is the current price at which an asset is trading. Market prices constantly change as buyers and sellers interact in financial markets.	*If a company's shares are trading at £12.50, that figure represents the current market price.*
Market Risk	Market risk is the possibility that investment values will fall due to changes in market conditions. Market risk affects almost all investors and cannot be completely eliminated through diversification.	*A global stock market decline caused by economic uncertainty may reduce the value of most equity portfolios.*
Market Sentiment	Market sentiment refers to the overall attitude or mood of investors towards a particular market, sector or asset. Sentiment	*Strong optimism about artificial intelligence may improve sentiment*

	can be positive or negative and can influence prices independently of underlying fundamentals.	*towards technology companies and contribute to rising share prices.*
Merger	A merger occurs when two companies combine to form a single business. Mergers are often undertaken to achieve efficiencies, increase market share or gain strategic advantages.	*Two regional banks may merge to create a larger organisation with greater resources and a broader customer base.*
Mid Cap	A Mid Cap company has a market capitalisation that falls between large cap and small cap businesses. Mid Cap companies often offer a balance between growth potential and financial stability.	*Many companies in the FTSE 250 Index are considered Mid Cap businesses.*
Monetary Policy	Monetary policy refers to the actions taken by a central bank to influence interest rates, inflation and economic activity. Central banks use monetary policy to help maintain economic stability.	*The Bank of England may raise interest rates to reduce inflation or lower rates to encourage borrowing and spending.*
Monetary Policy Committee (MPC)	The Monetary Policy Committee is the body within the Bank of England responsible for setting UK interest rates. The committee meets regularly and votes on monetary policy decisions.	*Financial markets closely monitor MPC announcements because changes in interest rates can affect borrowing costs, investment returns and economic growth.*
Money Laundering	Money laundering is the process of disguising the origins of illegally obtained money to make it appear legitimate. Financial institutions are required to implement controls designed to detect and prevent money laundering.	*Criminal proceeds may be moved through multiple accounts and transactions in an attempt to hide their origin. Banks use monitoring systems to identify suspicious activity.*
Mortgage	A mortgage is a loan secured against property. Mortgages are commonly used to finance the purchase of residential and commercial real estate. If repayments are not maintained, the lender may have the right to repossess the property.	*A buyer purchasing a £300,000 home may provide a £60,000 deposit and borrow the remaining £240,000 through a mortgage.*
Mutual Fund	A mutual fund is a pooled investment vehicle that collects money from multiple investors and invests it according to a defined	*A US equity mutual fund may hold shares in hundreds of companies*

	strategy. Mutual funds are particularly common in the United States.	*and allow investors to participate through a single investment*.

N

Term	**Definition**	**Example**
NASDAQ	NASDAQ is one of the world's largest stock exchanges and is particularly associated with technology and growth companies. Unlike traditional trading floors, NASDAQ was developed as an electronic exchange. It has become a key benchmark for the performance of many of the world's largest technology businesses.	*Companies such as Apple, Microsoft, Nvidia and Amazon are listed on NASDAQ. Investors often monitor NASDAQ performance as an indicator of sentiment towards technology stocks.*
National Debt	National Debt is the total amount of money borrowed by a government that remains outstanding. Governments borrow money by issuing bonds and other debt instruments to finance spending that exceeds tax revenues.	*The UK Government raises money by issuing Gilts to investors. The cumulative value of these borrowings contributes to the UK's National Debt.*
Net Asset Value (NAV)	Net Asset Value represents the total value of a fund's assets minus its liabilities. NAV is often used to determine the value of each share or unit in an investment fund.	*If a fund owns investments worth £100 million and has liabilities of £5 million, its NAV is £95 million.*
Nikkei 225	The Nikkei 225 is Japan's leading stock market index. It tracks 225 major companies listed on the Tokyo Stock Exchange and is widely used as a measure of Japanese market performance.	*Companies such as Toyota, Sony and Mitsubishi are included within the Nikkei 225 Index.*
Nominal Value	Nominal value, sometimes called face value, is the value assigned to a share or bond when it is issued. Nominal value is often different from the market value of the security.	*A bond may have a nominal value of £1,000 even though investors buy and sell it in the market at different prices.*
Nominated Adviser (NOMAD)	A Nominated Adviser is a specialist firm approved by the London Stock Exchange to advise AIM listed companies. Every AIM company must retain a NOMAD to help ensure compliance with market rules.	*A growing technology company listed on AIM may rely on its NOMAD for guidance on regulatory announcements and governance requirements.*

O

Term	Definition	Example
OEIC (Open Ended Investment Company)	An OEIC is a collective investment fund that can create or cancel shares in response to investor demand. This means the size of the fund expands when investors buy shares and contracts when they sell.	*Many UK retail investment funds are structured as OEICs, allowing investors to gain diversified exposure to a range of assets.*
Offer Price	The offer price is the lowest price at which a seller is willing to sell a security. Investors purchasing a security will normally transact at or near the offer price.	*If a share is quoted at 495p bid and 500p offer, an investor buying immediately would typically pay around 500p.*
Operational Risk	Operational risk is the risk of loss arising from failed processes, systems, human error or external events. Unlike market risk or credit risk, operational risk often relates to how an organisation functions internally.	*A trading error caused by incorrect data entry or a major systems outage would typically be classified as an operational risk event.*
Option	An option is a financial contract that gives the holder the right, but not the obligation, to buy or sell an asset at a specified price before a certain date. Options are widely used for both investment and risk management purposes.	*An investor may buy an option on a company's shares if they expect the share price to rise significantly in the future.*
Ordinary Share	An ordinary share represents ownership in a company and usually carries voting rights. Ordinary shareholders may receive dividends but rank behind creditors if a company becomes insolvent.	*Most shares traded on major stock exchanges are ordinary shares.*
Over the Counter (OTC)	OTC markets allow financial instruments to be traded directly between parties rather than through a formal exchange. OTC transactions are common in derivatives, currencies and certain bond markets.	*A large company may negotiate a customised derivatives contract directly with a bank in the OTC market.*

Overdraft	An overdraft is a form of short term borrowing that allows a bank customer to spend more money than is available in their account. Interest is usually charged on the borrowed amount.	*A business may use an overdraft facility to manage temporary cash flow shortages while waiting for customer payments.*

P

Term	Definition	Example
Passive Investor	A passive investor seeks to match market performance rather than outperform it. Passive investors typically invest through index funds or tracker funds and generally trade infrequently.	*An individual contributing monthly to a global index fund and holding it for twenty years is following a passive investment strategy.*
Passive Management	Passive management is an investment approach that seeks to replicate the performance of a benchmark index rather than outperform it. Passive funds generally have lower costs because less active decision making is required.	*A FTSE 100 tracker fund aims to mirror the performance of the FTSE 100 Index rather than selecting individual shares.*
Pension Fund	A pension fund is an investment vehicle that manages retirement savings on behalf of its members. Pension funds are among the largest institutional investors in the world.	*A workplace pension scheme may invest contributions into a diversified portfolio of shares, bonds and property.*
Portfolio	A portfolio is a collection of investments held by an individual or organisation. Portfolios may contain a mixture of shares, bonds, funds, property and other assets.	*An investor may hold a portfolio consisting of UK shares, global equities, government bonds and cash.*
Preference Share	A preference share is a type of share that usually provides priority over ordinary shares when dividends are paid. Preference shareholders generally have fewer voting rights than ordinary shareholders.	*A company may issue preference shares that pay a fixed dividend of 5% each year.*
Premium	A premium is the amount paid to purchase an option contract or insurance policy. The term may also refer to a market price above an asset's intrinsic or nominal value.	*An investor purchasing a call option pays a premium to the seller in exchange for the rights provided by the contract.*

Price Earnings Ratio (P/E Ratio)	The Price Earnings Ratio compares a company's share price with its earnings per share. It is commonly used to assess valuation and compare companies within the same industry.	*If a company has a share price of £20 and earnings per share of £2, its P/E ratio is 10.*
Primary Market	The primary market is where new securities are issued and sold to investors for the first time. Capital raised in the primary market goes directly to the issuer.	*A company raising money through an IPO is accessing the primary market.*
Private Credit	Private credit refers to lending activities that take place outside traditional public debt markets. Private credit funds often provide loans directly to businesses.	*A private credit fund may lend money to a growing company that does not wish to raise finance through public bond markets.*
Private Equity	Private equity involves investing in companies that are not publicly listed on a stock exchange. Private equity firms often seek to improve business performance before selling their investments.	*A private equity firm may acquire a family owned manufacturing business and support its expansion before selling it several years later.*
Private Markets	Private markets refer to investments that are not traded on public stock exchanges. These investments include private equity, private credit, venture capital and certain property investments. Private markets have become an increasingly important part of institutional investment portfolios.	*A pension fund may allocate part of its portfolio to private equity funds that invest in privately owned businesses.*
Prospectus	A prospectus is a formal document containing information about an investment opportunity or securities offering. It helps investors assess risks and opportunities before investing.	*Before an IPO, investors may review the prospectus to understand the company's business model, financial performance and risk factors.*
Prudential Regulation Authority (PRA)	The PRA is responsible for supervising banks, insurers and major financial institutions in the UK. Its primary objective is to promote the safety and soundness of the financial system.	*The PRA may require banks to hold sufficient capital to withstand periods of economic stress.*
Public Limited Company (PLC)	A Public Limited Company is a company whose shares may be offered to the public and traded on a stock exchange. PLCs are subject to regulatory and reporting requirements.	*Tesco PLC and Barclays PLC are examples of Public Limited Companies.*

Put Option	A put option gives the holder the right, but not the obligation, to sell an asset at a specified price before a particular date. Investors often use put options to protect against falling prices.	*An investor concerned about a potential market decline may buy put options to reduce the impact of losses.*

Q

Term	Definition	Example
Quantitative Easing (QE)	Quantitative Easing is a monetary policy tool used by central banks to stimulate economic activity. It involves creating money to purchase financial assets, usually government bonds, with the aim of lowering borrowing costs and increasing liquidity.	*Following the Global Financial Crisis, the Bank of England implemented Quantitative Easing to support the economy and financial system.*
Quantitative Tightening (QT)	Quantitative Tightening is the process of reducing a central bank's balance sheet, often by selling assets or allowing them to mature without replacement. QT is generally used to reverse the effects of Quantitative Easing.	*A central bank may reduce its holdings of government bonds as part of a programme of Quantitative Tightening.*
Quote Driven Market	A quote driven market is a market in which dealers or market makers continuously quote prices at which they are willing to buy and sell securities.	*Many bond markets operate on a quote driven basis, with dealers providing liquidity to investors.*

R

Term	**Definition**	**Example**
Real Estate Investment Trust (REIT)	A Real Estate Investment Trust is a company that owns, operates or finances income producing property. REITs allow investors to gain exposure to property markets without directly owning buildings. In many jurisdictions, REITs must distribute a large proportion of their income to shareholders.	*A REIT may own shopping centres, office buildings, warehouses or residential property. Investors can buy shares in the REIT and receive a share of the rental income generated.*
Recession	A recession is a period of economic decline characterised by reduced business activity, lower consumer spending and weaker economic growth. Recessions often lead to higher unemployment and lower corporate profits.	*During a recession, consumers may spend less money, businesses may delay investment and governments may introduce measures to stimulate economic activity.*
Registrar	A registrar is an organisation responsible for maintaining records of a company's shareholders and processing changes in ownership. Registrars also help administer dividend payments and shareholder communications.	*Companies such as Computershare and Equiniti act as registrars for many listed companies, maintaining accurate shareholder records.*
Regulation	Regulation refers to the rules, laws and standards designed to govern the conduct of financial markets and institutions. Effective regulation helps protect consumers, promote market confidence and reduce financial crime.	*Financial firms operating in the UK must comply with regulations issued by bodies such as the FCA and PRA.*
Repo (Repurchase Agreement)	A repo is a short term borrowing arrangement in which one party sells securities and agrees to buy them back at a later date. Repos play an important role in financial markets by helping institutions manage liquidity and funding needs.	*A bank may use a repo transaction to obtain short term funding by temporarily selling government bonds to another financial institution.*
Return	Return measures the gain or loss generated by an investment over a specific period. Returns may come from capital growth, income	*If an investor buys shares for £1,000 and later sells them for £1,100 while*

	or a combination of both. Investors typically assess returns relative to the risks taken.	*receiving £20 in dividends, their total return is £120 or 12%.*
Rights Issue	A rights issue is an offer allowing existing shareholders to purchase additional shares, often at a discount to the current market price. Companies use rights issues to raise capital while giving existing shareholders an opportunity to maintain their ownership percentage.	*A company may offer one new share for every four already held at a discounted price to raise funds for expansion or debt reduction.*
Risk	Risk is the possibility that an investment will not perform as expected or may result in financial loss. Different investments carry different levels of risk, and higher potential returns are often associated with higher risk.	*Shares generally carry more risk than cash deposits because their value can fluctuate significantly over time.*
Risk Management	Risk management is the process of identifying, assessing and controlling risks. Investors and businesses use risk management techniques to reduce the likelihood and impact of adverse outcomes.	*Diversification, insurance and hedging are all examples of risk management strategies used to reduce exposure to potential losses.*
Risk Reward Ratio	The risk reward ratio compares the potential gain from an investment with the potential loss. Investors often use risk reward ratios when evaluating whether a trade or investment opportunity is attractive.	*If an investor risks losing £100 in order to potentially make £300, the risk reward ratio is 1:3.*
Robo Adviser	A robo adviser is an online platform that uses algorithms to provide automated investment recommendations and portfolio management services. Robo advisers typically offer lower costs than traditional financial advice.	*An investor may complete an online questionnaire and receive a diversified portfolio managed automatically by a robo adviser such as Nutmeg or Wealthify.*

S

Term	Definition	Example
S&P 500	The S&P 500 is one of the most widely followed stock market indices in the world. It tracks approximately 500 of the largest publicly listed companies in the United States and is often used as a benchmark for the US equity market.	*Companies such as Apple, Microsoft, Amazon and Nvidia are major constituents of the S&P 500 Index.*
Secondary Market	The secondary market is where investors buy and sell existing securities after they have been issued. Most day to day stock market trading takes place in the secondary market.	*When an investor purchases shares in Tesco through a broker, they are usually buying those shares from another investor in the secondary market.*
Sector	A sector is a group of companies operating within the same area of the economy. Sector analysis helps investors compare businesses facing similar opportunities and risks.	*Technology, healthcare, financial services, energy and consumer goods are examples of market sectors commonly used by investors and analysts.*
Securities	Securities are tradable financial instruments that represent ownership, debt or other financial rights. Common examples include shares, bonds and derivatives.	*A pension fund may hold a range of securities including equities, government bonds and corporate debt instruments.*
Settlement	Settlement is the process of completing a financial transaction by transferring ownership of the asset and exchanging payment. Modern financial markets rely on efficient settlement systems to reduce risk and ensure smooth trading.	*Most UK share transactions currently settle on a T+2 basis, meaning settlement normally takes place two business days after the trade date.*
Share Buyback	A share buyback occurs when a company purchases its own shares from investors. Buybacks reduce the number of shares in issue and may increase earnings per share.	*A profitable company with excess cash may choose to repurchase shares as an alternative to paying a special dividend.*

Share Capital	Share capital represents the value of shares issued by a company. It forms part of a company's funding and provides a measure of shareholder investment.	*A company raising £10 million by issuing new shares increases its share capital by the amount raised.*
Shareholder	A shareholder is an individual or organisation that owns shares in a company. Shareholders may benefit from dividends, voting rights and capital growth if the company performs well.	*Pension funds, investment funds and private investors can all be shareholders in publicly listed companies.*
Short Position	A short position is an investment that benefits when the price of an asset falls. Short selling typically involves borrowing an asset, selling it and later attempting to repurchase it at a lower price.	*An investor who believes a company's shares will decline may establish a short position and profit if the share price falls.*
Small Cap	A Small Cap company is a business with a relatively small market capitalisation. Small Cap companies often offer greater growth potential but may also carry higher risk and lower liquidity.	*Many AIM listed companies are considered Small Caps because of their relatively modest market values.*
Smart Contract	A smart contract is a self executing agreement stored on a blockchain. The contract automatically performs certain actions when predefined conditions are met.	*A blockchain based insurance contract may automatically make a payment if a flight is cancelled and the required conditions are verified.*
SMCR (Senior Managers and Certification Regime)	SMCR is a UK regulatory framework designed to improve accountability within financial services firms. It requires senior individuals to take responsibility for specific areas of business activity.	*A senior banking executive may be personally accountable for compliance failures within the area of the organisation they oversee.*
SONIA (Sterling Overnight Index Average)	SONIA is the primary benchmark interest rate used in UK financial markets. It replaced LIBOR in many applications and is based on actual overnight transactions.	*Many modern floating rate bonds and loan agreements now use SONIA as their reference interest rate.*
Sovereign Wealth Fund	A sovereign wealth fund is an investment fund owned by a government and typically financed through budget surpluses, commodity revenues or foreign exchange reserves.	*Norway's Government Pension Fund Global is one of the largest sovereign wealth funds in the world and invests across global markets.*

SPAC (Special Purpose Acquisition Company)	A SPAC is a listed company created to raise money from investors before acquiring another business. SPACs are sometimes referred to as "blank cheque companies".	*A SPAC may raise £500 million through a stock market listing before identifying and acquiring a private company.*
Spread	The spread is the difference between the bid price and the offer price of a security. Spreads represent a transaction cost and often reflect liquidity and market conditions.	*If a share is quoted at 495p bid and 500p offer, the spread is 5p.*
Stablecoin	A stablecoin is a type of cryptocurrency designed to maintain a relatively stable value, often by linking its value to a traditional currency such as the US Dollar.	*A stablecoin linked to the US Dollar aims to maintain a value of approximately $1 per coin.*
Stagflation	Stagflation is a combination of weak economic growth, rising unemployment and high inflation. It is particularly challenging because measures that address one problem may worsen another.	*Many developed economies experienced stagflation during the 1970s following energy price shocks and economic disruption.*
Stock Exchange	A stock exchange is an organised marketplace where securities are bought and sold. Exchanges help provide liquidity, transparency and price discovery.	*The London Stock Exchange and New York Stock Exchange are among the most recognised stock exchanges in the world.*
Sustainable Investing	Sustainable investing is an approach that considers environmental, social and governance factors alongside traditional financial analysis. Investors seek to generate financial returns while supporting sustainable business practices.	*A sustainable investment fund may avoid companies with poor environmental records while favouring businesses involved in renewable energy.*
Swap	A swap is a derivative contract in which two parties agree to exchange cash flows or financial obligations. Swaps are widely used to manage interest rate, currency and other financial risks.	*A company with a variable rate loan may enter into an interest rate swap to exchange variable payments for fixed payments and gain greater certainty over future costs.*

T

Term	Definition	Example
Takeover	A takeover occurs when one company acquires control of another company, usually by purchasing a majority of its shares. Takeovers may be friendly, where the target company's board supports the transaction, or hostile, where it does not. Takeovers are often undertaken to increase market share, gain new capabilities or achieve economies of scale.	*Microsoft's acquisition of Activision Blizzard is an example of a major corporate takeover designed to strengthen Microsoft's position within the gaming industry.*
Tokenisation	Tokenisation is the process of converting ownership rights in an asset into digital tokens that can be recorded, transferred and traded electronically. Tokenisation has the potential to increase accessibility, liquidity and efficiency within financial markets.	*A commercial property worth £10 million could be divided into digital tokens, allowing many investors to own small portions of the asset.*
Tokenised Asset	A tokenised asset is a traditional asset whose ownership is represented digitally using blockchain technology. Tokenised assets may include shares, bonds, property or commodities.	*A government bond issued in digital form and recorded on a blockchain would be considered a tokenised asset.*
Total Return	Total return measures the overall performance of an investment by combining capital growth and income received. Total return provides a more complete picture of investment performance than price changes alone.	*If a share rises from £10 to £11 and pays a 50p dividend during the year, the total return is £1.50 or 15%.*
Tracker Fund	A tracker fund is an investment fund designed to replicate the performance of a specific market index. Tracker funds are a popular form of passive investing because they typically have lower costs than actively managed funds.	*A FTSE 100 tracker fund seeks to match the performance of the FTSE 100 Index by holding the same companies in similar proportions.*
Trade	A trade is the purchase or sale of a financial instrument such as a share, bond, currency or derivative. Every transaction executed in a financial market is referred to as a trade.	*An investor purchasing 100 shares in HSBC through an online broker is executing a trade.*

Trader	A trader is a person who buys and sells financial instruments with the objective of generating a profit. Traders may work for banks, investment firms, hedge funds or trade their own capital.	*An equities trader may buy shares they believe are undervalued and later sell them when the price rises.*
Treasury Bills	Treasury Bills are short term debt securities issued by governments to raise money. They are usually considered low risk because they are backed by the issuing government.	*The UK Government regularly issues Treasury Bills with maturities of less than one year to help manage short term funding requirements.*
Trustee	A trustee is a person or organisation responsible for managing assets on behalf of beneficiaries. Trustees have a legal duty to act in the best interests of those they represent.	*Pension scheme trustees are responsible for overseeing the management of retirement assets on behalf of scheme members.*

U

Term	Definition	Example
Underlying Asset	An underlying asset is the asset on which a derivative contract is based. Changes in the value of the underlying asset influence the value of the derivative.	*A share option derives its value from the share price of the company on which the option is based.*
Underwriter	An underwriter is a person or organisation that accepts financial risk in exchange for a fee. In insurance, underwriters assess risks before deciding whether to provide cover. In capital markets, investment banks may underwrite share issues by guaranteeing the sale of securities.	*The term originates from Lloyd's Coffee House in London, where individuals would literally write their names underneath details of a shipping risk they were willing to insure.*
Underwriting	Underwriting is the process of assessing and accepting financial risk. In capital markets, underwriting often involves an investment bank guaranteeing the sale of securities issued by a company.	*An investment bank may underwrite an IPO by agreeing to purchase any shares not bought by investors.*
Unicorn	A unicorn is a privately owned company valued at more than $1 billion. The term is commonly used to describe successful high growth technology businesses.	*Companies such as Stripe and Revolut achieved unicorn status before pursuing public market listings.*
Unit Trust	A Unit Trust is a collective investment scheme that pools money from multiple investors into a professionally managed portfolio. Investors own units that represent their share of the underlying assets.	*A UK Equity Income Unit Trust may hold shares in dozens of dividend paying companies on behalf of investors.*
Unsecured Loan	An unsecured loan is borrowing that is not backed by specific collateral. Because the lender has less protection, unsecured loans often carry higher interest rates than secured borrowing.	*A personal bank loan used to fund home improvements is often an unsecured loan because no asset is pledged as security.*

V

Term	Definition	Example
Valuation	Valuation is the process of estimating the worth of a business, asset or investment. Investors use a range of methods and financial measures when assessing valuation, including earnings, cash flow and asset values.	*An analyst may compare a company's valuation with those of its competitors to determine whether its shares appear expensive or attractive.*
Venture Capital	Venture capital is investment provided to early stage or high growth businesses in exchange for equity ownership. Venture capital investors accept higher risks in the hope of achieving significant long term returns.	*A venture capital firm may invest £2 million in a promising software company before it becomes profitable.*
Venture Capital Trust (VCT)	A Venture Capital Trust is a UK listed investment company that invests in smaller growing businesses and offers tax incentives to investors. VCTs were introduced to encourage investment in entrepreneurial companies.	*An investor purchasing shares in a VCT gains exposure to a portfolio of smaller businesses while potentially benefiting from tax advantages.*
Venture Debt	Venture debt is a form of borrowing provided to high growth businesses, often alongside venture capital investment. It allows companies to raise additional funding without issuing further shares.	*A technology company may use venture debt to finance expansion while limiting dilution of existing shareholders.*
Volatility	Volatility measures the degree to which the price of an asset fluctuates over time. High volatility generally indicates greater uncertainty and risk, although it can also create opportunities for investors.	*Cryptocurrency prices often experience significantly higher volatility than the prices of large established companies.*

W

Term	Definition	Example
Wealth Manager	A wealth manager is a professional adviser who helps individuals and families manage investments, financial planning and long term wealth preservation. Wealth management often combines investment advice with broader financial planning services.	*A wealth manager may assist a client with retirement planning, tax efficient investing and estate planning.*
Working Capital	Working capital measures a company's short term financial position and is calculated by subtracting current liabilities from current assets. Positive working capital generally indicates that a business can meet its short term obligations.	*If a company has £5 million of current assets and £3 million of current liabilities, it has £2 million of working capital.*
Writer	In options markets, the writer is the person or organisation that sells an option contract and receives the premium. The writer assumes certain obligations if the option is exercised.	*An investor writing a covered call option receives a premium but may be required to sell shares if the option holder exercises their rights.*

X

Term	Definition	Example
Xetra DAX	The DAX is Germany's leading stock market index and is traded electronically through the Xetra trading system. It is widely regarded as a benchmark for the German economy and equity market.	*Companies such as SAP, Siemens and Allianz are major constituents of the DAX Index.*

Y

Term	Definition	Example
Yield	Yield measures the income generated by an investment relative to its value and is usually expressed as a percentage. Different forms of yield are used for shares, bonds and other investments.	*A bond paying £50 per year on an investment worth £1,000 has a yield of 5%.*
Yield Curve	The yield curve is a graph showing the relationship between interest rates and bond maturities. Investors and economists often use the yield curve to assess expectations about future economic conditions.	*An inverted yield curve, where short term rates exceed long term rates, is often viewed as a potential indicator of recession.*

Z

Term	Definition	Example
Zero Coupon Bond	A zero coupon bond does not pay periodic interest. Instead, it is issued at a discount to its face value and the investor receives the full face value when the bond matures.	*An investor may purchase a zero coupon bond for £900 and receive £1,000 when it matures several years later.*
Zero Dividend Preference Share	A Zero Dividend Preference Share is a share that does not pay regular dividends but offers a predetermined capital return at a future date. These instruments are often found within certain investment trust structures.	*An investor purchasing a Zero Dividend Preference Share may receive a fixed capital value at maturity rather than regular income payments.*