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# TC&RG<sup>TM</sup> Glossary for Traders

**Sunny Harris, noted author, educator & trader, has compiled this **Comprehensive Glossary** over the last 40+ years**

# Sunny J. Harris

\*TC&RG is the abbreviation for “Traders’ Catalog & Resource Guide”™, Sunny Harris’ erstwhile magazine & yellow pages for traders, published from 1989 through 1997.

# TC&RG\* Comprehensive Glossary

## Word (Abbreviation)

Definition See Also

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### %B

Indicates where the closing price is within Bollinger bands:

$(\text{Close} - \text{LowerBand}) / (\text{UpperBand} - \text{LowerBand})$

### +R Advantage

+R Advantage is achieved when a trading system makes more money on each winning trade than it spends on its losing trades

### 90/10 Strategy

Legendary investor Warren Buffett invented the “90/10” investing strategy for the investment of retirement savings. The method involves deploying 90% of one’s investment capital into interest-bearing instruments which present a lower degree of investment risk while allocating the remaining 10% of money towards higher-risk investments. This system is a relatively conservative investment strategy which aims to generate higher yields on the overall portfolio. Following this method, proponents profess the potential losses will typically be limited to the 10% invested in the high-risk investments. However, much depends on the quality of the interest-bearing bonds purchased.

## A

### A Priori

Known ahead of time.

### Abandon

The failure to exercise or offset an option before its expiration.

### Abandoned Baby Pattern

A rare candlestick pattern in which an upside gap doji

star (where the shadows do not touch) is followed by a downside gap black candlestick where the shadows also do not touch; considered a major top reversal signal.

### ABC

Elliott wave terminology for a three-wave countertrend price movement. Wave A is the first price wave against the trend of the market. Wave B is a corrective wave to Wave A. Wave C is the final price move to complete the countertrend price move.

### Absolute Breadth Index (ABI)

The absolute difference between the number of NYSE advances and declines. Generally, high ABI values suggest market bottoms, and low ABI values suggest market highs.

### Absolute Value

The value of a number regardless of its sign (also known as the magnitude of the number). For example, the absolute value of negative 10 is 10; the absolute value of 10 is 10.

### Accumulation

Accumulation means the amount of something is increasing over time.

In finance, accumulation more specifically means increasing position size in one asset, increasing the number of assets owned/positions, or an overall increase in buying activity in an asset.

The accumulation phase in an annuity refers to the period where premiums are being paid or money is being put in.

### Accumulation/Distribution Indicator

A weighted volume indicator based on the one-day change in price divided by the current day’s range. Generally, the ADI moves in the direction of price. For example, if the price drops on a given day, the volume is deemed negative.

## ACTION

### Action

Defines the type of trade the investor is entering. The standard actions when entering a trade are Buy to Open or Sell to Open. When closing a position, the standard actions are Buy to Close or Sell to Close.

### Actuals

- (1) The commodity itself.
- (2) The physical (cash) commodity or financial instrument rather than a futures or derivatives contract for that commodity or financial instrument.

### ADA

Block-structured programming language developed under the guidance of the U.S. Department of Defense to provide a medium for writing real-time, concurrent applications, for facilitating program verification.

### Adaptive Filter

Smoothing and/or forecasting prices with continuously updated weighting of past prices.

### Adaptive Price Zone

The Adaptive Price Zone is a technical indicator that creates bands on a price chart; the majority of price action tends to stay within the upper and lower bands of the zone. When price deviates significantly from its average and crosses out of the zone, there is a tendency for price to push back towards the statistical average.

### Add/Pare

This means to add shares to a position that initially moves against your initial entry. It is very important that you are only adding shares, because the wider time frames support your trade via trend support. Add/paring means you are weathering the shorter time frames in support of the wider time frames eventually playing out. When played correctly, the added shares result in a better average cost per share, usually accumulating into a panic. It is critical to decrease the position right into the shorter time frame reversals.

### Adjustment

The process of buying or selling instruments to bring your position delta back to zero.

### Adjustments

Certain events such as a stock split or a stock dividend (e.g., a 3-for-2 stock split). An adjusted option may cover more than the usual one hundred shares. For example, after a 3-for-2 stock split, the adjusted

option will represent 150 shares. For such options, the premium must be multiplied by a corresponding factor. Example: buying 1 call (covering 150 shares) at 4 would cost \$600.

### Advance-Decline Line

The running sum of the difference between NYSE advances and declines. As with any indicator computed as a running sum, the actual values depend on when the sum begins. CADL signals are triggered by curve direction and relationships between points on the curve. Look for divergence between CADL and a market average (like the Dow Jones Industrials). For example, if CADL is making new highs but the average is not, the situation is considered bullish. The opposite divergence is bearish.

### Advance-Decline Ratio

The ratio of NYSE advances to declines and one of the standard market indicators that can be used to analyze general market trends. Generally, ADR values above 1.25 indicate oversold conditions; values below .75 indicate overbought conditions.

### Adverse Excursion

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

### Aggressive Investor

An investor that looks to trade positions with a high potential return, little or no protection and a slim probability of earning the potential return.

### AKA

An acronym for “automated knowledge acquisition.” Refers to the use of programs to create knowledge needed by other programs (usually expert systems).

### Algebraic Notation

The most commonly understood method of writing a mathematical formula. A very simple example is  $1 + 1 = 2$ .

### All or None Order AON

A type of option order which requires that the order be executed completely or not at all. An AON order may be either a day order or a GTC order.

### Alpha

Premium that an investment portfolio earns above a given point of reference; a measure of stock performance independent of the market.

## AM Settlement

Options whose values are based on an index which is settled or determined based on the aggregate market opening price or the price of the first trade of each component of the index on options expiration day.

## American Depository Receipts ADRs

(1) Certificates that are issued by a bank of US origin and traded in the U.S. as domestic shares. The certificates represent the foreign securities that the bank holds in that security's country of origin.

(2) A negotiable certificate (receipt) representing a given number of shares of stock in a foreign corporation; it is bought and sold in the American securities markets, just as stock is traded. Also known as American depository share.

## American Stock Exchange AMEX / ASE

The American Stock Exchange (AMEX) was once the third-largest stock exchange in the United States, as measured by trading volume. The exchange, at its height, handled about 10% of all securities traded in the U.S.

Today, the AMEX is known as the NYSE American. In 2008, NYSE Euronext acquired the AMEX. In the subsequent years, it also became known as NYSE Amex Equities and NYSE MKT.

## American-Style Option

An option that can be exercised at any time prior to its expiration date. See also European-style option. European-style option

## Amortization

Accounting method in which an asset's cost is spread out.

## Analysis of Variance Anova

The partitioning of total sum of squares into the sum of squares explained by the model and the remaining sum of squares unexplained.

## Anaume

Candlestick formation. An exceptional exhaustion pattern (meaning "gap filling") composed of five candles. The anaume occurs when the gap is filled in after a market price has changed directions. This pattern coupled with the other patterns indicate a strong potential for a bullish reversal and price advance.

## Anchoring-and-Adjustment

Behavioral finance. The tendency to evaluate current

decisions in the context of past events

## Andrews' Pitchfork

Andrews' Pitchfork is a line study consisting of three parallel trendlines based on three points you select. This tool was developed by Dr. Alan Andrews. The interpretation of a pitchfork is based on normal trendline support and resistance principles.

## Annealing (Simulated)

Generally a metallurgical process, in artificial intelligence a process in which a neural net work searches for a set of weights to minimize errors; the search constantly shrinks as the weights find better values, analogous to the rearrangement of the molecules in a heated metal bar as the bar cools.

## Annual Earnings Change

The historical earnings change between the most recently reported fiscal year earnings and the preceding.

## Annual Net Profit Margin

The percentage that the company earned from gross sales for the most recently reported fiscal year.

## Annual Sales Change

The percentage change in sales between the most recently reported fiscal year and the preceding.

## Annualized

Translating the figures for a given year into an annual rate.

## Annualized Return

Any return from an investment, calculated as though the position were open for exactly one year (for example, a three-month position's return would be multiplied by four to annualize; and a two-year position would be divided by two).

## Anti-Martingale

Betting System. An anti-martingale betting system dictates that traders take greater risks when trading with profits than with initial capital. As the account size grows, so does the bet size.

## Antithetic Forecasts

Two forecasts whose errors are negatively correlated.

## Arbitrage

A trading technique that involves the simultaneous purchase and sale of identical assets or of equivalent assets in two different markets with the intent of