لغات تخصصی آزمون
تحلیلگری بازار سرمایه

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تهیه: پاییز

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یکپیز

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این مجموعه شامل لغات ضروری و پرکاربرد در مباحث تحلیلگری می‌باشد که در صورت نیاز توضیح مختصری هم به همراه دارند.
Capital budgeting

• What long-term investments the company will make?
• the process of determining which potential long-term projects are worth undertaking.
• a prospective project's lifetime cash inflows and outflows are assessed in order to determine whether the returns generated meet a sufficient target benchmark.

Capital structure

• How will the company finance these investments?
• The permanent long-term financing of a company, including long-term debt, common stock and preferred stock, and retained earnings
• financial structure: short-term debt and accounts payable.

<table>
<thead>
<tr>
<th>permanent</th>
<th>دامنی</th>
<th>جریانات نقد</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undertake</td>
<td>متعهد شدن</td>
<td>پازگشت (سرمایه)</td>
</tr>
<tr>
<td>benchmark</td>
<td>معيار</td>
<td>ساختار مالی</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial structure</td>
</tr>
</tbody>
</table>
Investment

- In finance, the purchase of a financial product or other item of value with an expectation of favorable future returns.
- In general terms, investment means the use of money in the hope of making more money.

Finance

- To raise money through the issuance and sale of debt and/or equity.
- The science that describes the management of money, banking, credit, investments, and assets.

<table>
<thead>
<tr>
<th>expectation</th>
<th>issuance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favorable return</td>
<td>debt</td>
</tr>
<tr>
<td>equity</td>
<td>credit</td>
</tr>
</tbody>
</table>

- بازگشت (سرمایه) مطلوب
- حقوق صاحبان سهام
- بدهی
- اعتبار
How will the firm manage its daily cash management, ensuring that bills are paid on time and that cash is collected from customers in a reasonable rate.

- maintaining efficient levels of both components of working capital, current assets and current liabilities.
- ensures a company has sufficient cash flow in order to meet its short-term debt obligations and operating expenses.

<table>
<thead>
<tr>
<th>Ensure</th>
<th>تضمین کردن</th>
<th>Reasonable rate</th>
<th>نرخ معقول</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>مشتری</td>
<td>Current assets</td>
<td>دارایی های جاری</td>
</tr>
<tr>
<td>Bill</td>
<td>صورت حساب</td>
<td>Current liabilities</td>
<td>بدهی های جاری</td>
</tr>
<tr>
<td>Collect</td>
<td>جمع کردن</td>
<td>Operating expenses</td>
<td>مصارف عملیاتی</td>
</tr>
</tbody>
</table>
Forms of business organization

Sole proprietary Partnership Corporation:

1. Private
2. Public

• مالکیت خصوصی
• شرکتی
• شرکت «سهامی»:
  • خاص
  • عام
Sole Proprietorship

- One owner
- No separation between the owner's assets and the firm's assets.
- Equity limited to the wealth of the owner, which may limit which projects can be undertaken.
- Difficult to transfer ownership, all assets and liabilities must be explicitly identified.

- Minimal paperwork to start or close.
- Unlimited liability for firm's debts.
- Limited duration (life of owner)

<table>
<thead>
<tr>
<th>owner</th>
<th>مالک</th>
</tr>
</thead>
<tbody>
<tr>
<td>separation</td>
<td>تفکیک</td>
</tr>
<tr>
<td>wealth</td>
<td>ثروت</td>
</tr>
<tr>
<td>ownership</td>
<td>explicitly identified</td>
</tr>
<tr>
<td>مالکیت</td>
<td>صريحاً شناسایی شده</td>
</tr>
<tr>
<td>duration</td>
<td>عمر (مدت فعالیت)</td>
</tr>
</tbody>
</table>
Partnership

Two or more owners. At least one must be a general partner (with unlimited responsibility).

A pool of assets is set up that does not include all of the partners' personal assets. • Difficult to transfer ownership due to the need to reform the partnership with each transfer.

Unlimited liability for firm's debts for the general partners. A partnership may have limited partners with limited liability. • Limited duration (life of all owners). If one partner dies or leaves, the partnership is dissolved and a new partnership may be formed.

<table>
<thead>
<tr>
<th>pool</th>
<th>مجموعه (ائتلاف)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General partner</td>
<td>شراکت تضامنی</td>
</tr>
<tr>
<td></td>
<td>partner</td>
</tr>
</tbody>
</table>
Owners are not directly responsible for the debts of the company (Limited Liability).

- Much more paperwork to form.

The company becomes a separate legal entity and can own assets, enter contracts, sue, etc. as if it were a person.

Easier to raise equity or transfer ownership.

- Management and ownership are easy to separate.

Double taxation: The company pays taxes as an individual entity, and the owners pay taxes on dividends paid by the company.
If the management and ownership of the firm are separated, it is likely that they goals of the owners and the goals of the managers are not going to be identical.

The difference in these goals is known as the **agency problem**.

The goal that the owners are most likely to support is the attempt to maximize the value of the equity of the firm.

One method of minimizing the agency problem is to tie the compensation of management to the value of the firm, this is often the rationale behind including stock option with manager's pay.
Indirect Finance

Funds supplier deposits money with a financial intermediary. Financial intermediary provides money to the funds demanders. This can either be in the form of debt or equity.

There is no direct link between the supplier of funds and the user of funds.

<table>
<thead>
<tr>
<th>Funds supplier</th>
<th>تامین کننده وجوه (سرمايه گذار)</th>
</tr>
</thead>
<tbody>
<tr>
<td>deposit</td>
<td>سپرده گذاری کردن</td>
</tr>
<tr>
<td>funds demanders</td>
<td>اپارکاندنده وجوه (سرمايه پذير)</td>
</tr>
<tr>
<td></td>
<td>واسطه</td>
</tr>
</tbody>
</table>
Financial institutions that do this include banks, trust companies, credit unions, mutual funds, pension funds, insurance companies, etc.

Payments to the funds suppliers may be: a promised rate of return (interest rate), participation in earnings (mutual funds), or contractually specified (insurance).

<table>
<thead>
<tr>
<th>Financial Institutions</th>
<th>纷纷</th>
<th>promised rate of return</th>
<th>بشرح قرارداد</th>
</tr>
</thead>
<tbody>
<tr>
<td>pension funds</td>
<td>صندوق های بازنشستگی</td>
<td>نرخ بازگشت معین</td>
<td></td>
</tr>
<tr>
<td>mutual funds</td>
<td>صندوق های متقابل</td>
<td>بشرح قرارداد</td>
<td></td>
</tr>
<tr>
<td>participation in earnings</td>
<td>مشارکت در سود</td>
<td>بشرح قرارداد</td>
<td></td>
</tr>
</tbody>
</table>
Direct Finance

Supplier of funds deals directly with the demander of funds.

A financial intermediary may be involved, either as a guarantor of the transaction or as a broker.

The financial intermediary makes its money by charging fees for services and never takes an ownership interest in the transaction.

<table>
<thead>
<tr>
<th>deal</th>
<th>Broker</th>
<th>guarantor</th>
</tr>
</thead>
<tbody>
<tr>
<td>در ارتباط بودن</td>
<td>ضامن</td>
<td>کارگزار</td>
</tr>
<tr>
<td>transaction</td>
<td>معامله</td>
<td></td>
</tr>
</tbody>
</table>
Financial Intermediaries

stand between the lender-savers and the borrower-spenders and help transfer funds from one to the other

They do this by borrowing funds from the lender-savers and then using these funds to make loans to borrower-spenders

financial intermediaries are a far more important source of financing for corporations than securities markets are
Financial Intermediaries

Examples are:

- Banks: Commercial, Investment
- Insurance Companies
- Pension and Retirement Funds
- Mutual Funds
- Venture Capital Firms
- Asset Management Firms
- Information Services
Cash

Currency and coins on hand

Sometimes also including the value of assets that can be converted into cash immediately:

- Bank balances
- Checks
- Marketable securities
  - Government bonds
  - Banker's acceptances

<table>
<thead>
<tr>
<th>Currency</th>
<th>Currency</th>
<th>Bank balance</th>
<th>Government bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banker's acceptances</td>
<td>وجه رایج</td>
<td>حواله های بانکی</td>
<td>قابل عرضه در بazar</td>
</tr>
<tr>
<td>Immediately</td>
<td>به سرعت</td>
<td></td>
<td>اوراق قرضه دولتی</td>
</tr>
</tbody>
</table>
Cash or goods used to generate income either by investing in a business or a different income property.

The net worth of a business; that is, the amount by which its assets exceed its liabilities.

The factories, machinery and equipment owned by a business.

The money, property, and other valuables which collectively represent the wealth of an individual or business.

<table>
<thead>
<tr>
<th>exceed</th>
<th>بالغ شدن بر</th>
<th>represent</th>
<th>نماینده بودن</th>
</tr>
</thead>
<tbody>
<tr>
<td>property</td>
<td>مال و دارایی</td>
<td>collectively</td>
<td>مجتمعا</td>
</tr>
<tr>
<td>wealth</td>
<td>ثروت</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A market for the exchange of capital and credit, including the money markets and the capital markets:

- Money markets
- Capital markets
Market for short-term debt securities, such as banker's acceptances, commercial paper, repos (repurchase agreements), certificates of deposit, and Treasury Bills, generally with a maturity of one year or less.

**Money market securities are generally:**

- very safe investments
- return a relatively low interest rate
- most appropriate for temporary cash storage or short-term time.
- high liquidity and very short maturities
- Commercial banks work in this market

<table>
<thead>
<tr>
<th>Treasury Bills</th>
<th>اوراق خزانه</th>
<th>commercial paper</th>
<th>اوراق تجاري</th>
<th>نقدینگی</th>
</tr>
</thead>
<tbody>
<tr>
<td>maturity</td>
<td>سررسید</td>
<td>liquidity</td>
<td>نقدینگی</td>
<td></td>
</tr>
<tr>
<td>temporary</td>
<td>موقتی</td>
<td>cash storage</td>
<td>نخیره پول</td>
<td></td>
</tr>
</tbody>
</table>
BANKER’S ACCEPTANCE (BA)

- A short-term credit investment
- created by a non-financial firm
- payment is guaranteed by a bank
- Often used in importing and exporting
- A money market fund investment.

<table>
<thead>
<tr>
<th>payment</th>
<th>تادیه و پرداخت</th>
</tr>
</thead>
<tbody>
<tr>
<td>import</td>
<td>واردات</td>
</tr>
<tr>
<td>export</td>
<td>صادرات</td>
</tr>
</tbody>
</table>
CERTIFICATE OF DEPOSIT (CD)

- A savings certificate entitling the bearer to receive interest.

- A time deposit that restricts holders from withdrawing funds on demand. Although it is still possible to withdraw the money, this action will often incur a penalty.

- A CD bears a maturity date, a specified fixed interest rate

- CDs are generally issued by commercial banks

- small CDs: CDs of less than $100,000

- Jumbo (large) CDs: CDs for more than $100,000
COMMERCIAL PAPER

- An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities.
- Maturities on commercial paper rarely range any longer than 270 days.
- not usually backed by any form of collateral, so only firms with high-quality debt ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.

<table>
<thead>
<tr>
<th>inventories</th>
<th>موجودی کالا</th>
<th>collateral</th>
<th>تضمین</th>
</tr>
</thead>
<tbody>
<tr>
<td>rarely</td>
<td>به ندرت</td>
<td>backed</td>
<td>حمايت شده</td>
</tr>
<tr>
<td>discount</td>
<td>تنزل</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**COMMERCIAL PAPER**

- major benefit: it does not need to be registered with the Securities and Exchange Commission (SEC) as long as it matures before nine months (270 days)
- a very cost-effective means of financing
- The proceeds can only be used on current assets (inventories)
- not allowed to be used on fixed assets, such as a new plant, without SEC involvement.

<table>
<thead>
<tr>
<th>plant</th>
<th>کارخانه</th>
<th>Securities and Exchange Commission (SEC)</th>
<th>کمیسیون ارز و اوراق بهادار</th>
</tr>
</thead>
<tbody>
<tr>
<td>involvement</td>
<td>درگیری و مداخله</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REPO (REPURCHASE AGREEMENT/BUYBACK)

- A contract in which the seller of securities, such as Treasury, agrees to buy them back at a specified time and price.
- Allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest.
- The borrower agrees to sell immediately a security to a lender and also agrees to buy the same security from the lender at a fixed price at some later date.
- A repo is economically similar to a secured loan, with the buyer receiving securities as collateral to protect against default.
A market where long-term debt (generally with maturity of one year or greater) or equity securities are traded:

- **Primary market**
- **Secondary market**
- **Third market**
- **Forth market**

<table>
<thead>
<tr>
<th>Primary market</th>
<th>بازار اول</th>
<th>Third market</th>
<th>بازار سوم</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary market</td>
<td>بازار دوم</td>
<td>Forth market</td>
<td>بازار چهارم</td>
</tr>
</tbody>
</table>
Primary market: (New Issue market/NIM)

- The market for new securities issues
- In the primary market the security is purchased directly from the issuer
- facilitated by underwriting groups (investment banks) that will:
  - set a beginning price range for a given security
  - And oversee its sale directly to investors
TO GO PUBLIC

- doing an IPO
- switching from private ownership to public ownership
- raises cash and provides many benefits for a company
Primary market (IPO)

IPO (Initial Public Offering)

- the first sale of stock by a company to the public
- main target market for hot IPOs are institutional investors, not individual or small investors
- Investment bank
- Companies hire investment banks to underwrite an IPO
- middlemen between companies and the investing public

<table>
<thead>
<tr>
<th>Initial Public Offering</th>
<th>عرضه عمومی اولیه</th>
</tr>
</thead>
<tbody>
<tr>
<td>middlemen</td>
<td>واسطه‌ها</td>
</tr>
<tr>
<td>institutional</td>
<td>سازمانی</td>
</tr>
</tbody>
</table>
An underwriting in which an investment bank, acting as an agent:
- agrees to do its best to sell the offering to the public
- but does not buy the securities outright
- does not guarantee that the issuing company will receive any set amount of money

Less common than a firm commitment offering.
FIRM COMMITMENT OFFERING

- an underwriter assumes the risk of bringing a new securities issue to market, by buying the issue from the issuer and guaranteeing sale of a certain number of shares to investors.
- the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public.
- More common than best efforts offering.

<table>
<thead>
<tr>
<th>Firm commitment offering</th>
<th>پیشنهاد تعهد شرکت</th>
</tr>
</thead>
<tbody>
<tr>
<td>entire offer</td>
<td>پیشنهاد کل</td>
</tr>
</tbody>
</table>
SYNDICATE

A group of investment banks which jointly underwrite and distribute a new security offering to share the risk of the offering also called purchase group or banking syndicate or investment banking syndicate.

One underwriter leads the syndicate and the others sell a part of the issue.
- Cooling off period
  - the time required by the SEC to investigate and make sure all material information has been disclosed by the investment bank.

- the effective date
  - the date when the stock will be offered to the public.
red herring

- an initial prospectus published during the cooling off period by the underwriter
- containing all the information about the company except for the offer price and the effective date, which aren't known at that time

road show (dog and pony show)

- With the red herring in hand, the underwriter and company attempt to hype and build up interest for the issue through promotional presentations or meetings conducted in a series of locations to attract big institutional investors.
The Lock-Up Period

Lock-up agreements are legally binding contracts between the underwriters and insiders of the company, prohibiting them from selling any shares of stock for a specified period of time.

The period can range anywhere from three to 24 months. Ninety days is the minimum period. When lockups expire all the insiders are permitted to sell their stock. The result is a rush of people trying to sell their stock to realize their profit. This excess supply can put severe downward pressure on the stock price.
Flipping

- reselling a hot IPO stock in the first few days to earn a quick profit
- companies want long-term investors who hold their stock, not traders
- There are no laws that prevent flipping
- your broker may blacklist you from future offerings

<table>
<thead>
<tr>
<th>Flipping</th>
<th>هجوم برای فروش سهام با سود در روزهای اول عرضه</th>
</tr>
</thead>
<tbody>
<tr>
<td>prevent</td>
<td>منع کردن</td>
</tr>
<tr>
<td>broker</td>
<td>کارگزار</td>
</tr>
</tbody>
</table>
**DPO**

**DPO (Direct Public Offering):**

- raising capital by marketing its shares directly to its own customers, employees, suppliers, distributors and friends in the community
- the cost is lower than IPO, but less money can be raised

<table>
<thead>
<tr>
<th>Direct Public Offering</th>
<th>عرضه عمومی مستقیم</th>
</tr>
</thead>
<tbody>
<tr>
<td>raising capital</td>
<td>افزایش سرمایه</td>
</tr>
</tbody>
</table>
Secondary market (aftermarket)

- A market in which an investor purchases a security from another investor rather than from the issuing companies themselves, subsequent to the original issuance in the primary market.
- In any secondary market trade, the cash proceeds go to an investor rather than to the underlying company/entity directly.
- In the primary market prices are often set beforehand, whereas in the secondary market only basic forces like supply and demand determine the price of the security.
### Secondary Market

**Brokers**
- agents of investors who match buyers with sellers of securities

**Dealers**
- link buyers and sellers by buying and selling securities at stated prices

<table>
<thead>
<tr>
<th>Brokers</th>
<th>كارگزاران</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealers</td>
<td>دلالان</td>
</tr>
</tbody>
</table>
secondary markets serve two important functions

- They make it easier and quicker to sell financial instruments to raise cash; that is, they make the financial instruments more liquid.
- The increased liquidity of these instruments then makes them more desirable and thus easier for the issuing firm to sell in the primary market.

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>نقذینگی</th>
</tr>
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<tbody>
<tr>
<td>quicker</td>
<td>سریع‌تر</td>
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</tbody>
</table>
Price discovery

- they determine the price of the security that the issuing firm sells in the primary market.
- The investors that buy securities in the primary market will pay the issuing corporation no more than the price they think the secondary market will set for this security.
- The higher the security’s price in the secondary market, the higher will be the price that the issuing firm will receive for a new security in the primary market, and hence the greater the amount of financial capital it can raise.
Secondary market: Exchanges and Over-the-Counter Markets

Secondary markets can be organized in two ways:

- Organized Exchanges
- Over-the-Counter (OTC) markets

Organized Exchanges (Auction markets)

- this exchange has a physical location
- brokers match buyers and sellers with dealers playing a limited role.
- The world's large stock exchanges NYSE, Tokyo, London, etc. are auction markets
Secondary market:
Exchanges and Over-the-Counter Markets

Organized Exchanges (Auction markets)

- **Listing:**
  - before a security can be traded on a particular exchange it must be listed with that exchange.
  - To be listed a company must meet certain criteria such as, minimum market value, number of shareholders, etc.
  - The company must also meet the exchange's reporting requirements which are often much broader than required by law.

<table>
<thead>
<tr>
<th>criteria</th>
<th>معیار</th>
<th>broader</th>
<th>گستردگی تر</th>
</tr>
</thead>
<tbody>
<tr>
<td>minimum market value</td>
<td>حداقل ارزش بازار</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Secondary market: Exchanges and Over-the-Counter Markets

OTC: Over-the-Counter

- A security which is not traded on an exchange, usually due to an inability to meet listing requirements
- OTC exchanges are dealer markets. Dealers, buying and selling from their own inventories make most of the trades. There is no central location for the exchange
- Dealers negotiate directly with one another over computer networks and by phone, and their activities are monitored by the NASD
- OTC stocks are usually very risky since they are the stocks that are not considered large or stable enough to trade on a major exchange
- Research about these stocks is more difficult to obtain
- Also called unlisted
- The OTC market is very competitive and not very different from a market with an organized exchange
Trading by non exchange-member brokers/dealers and institutional investors of exchange-listed stocks.

involves exchange-listed securities that are being traded over-the-counter between brokers/dealers and large institutional investors.

Typical institutional investors who take part in the third market include investment firms and pension plans.
Fourth Market

The trading of exchange-listed securities between institutions on a private over-the-counter computer network, rather than over a recognized exchange such as NYSE or Nasdaq.

Trades between institutions will often be made in large blocks and without a broker, allowing the institutions to avoid brokerage fees.
Fourth Market

For example, when a mutual fund and a pension fund enter into a large block trade with each other, this would generally occur in the fourth market and usually over an electronic communication network.

Both parties avoid brokerage and exchange transaction fees.

They also avoid the possibility of distorting the market price or the volume traded on an exchange.
Financial Instruments

easily tradable packages of capital

Financial assets (securities)

- Equity-based: representing ownership of the asset
- Debt-based: representing a loan

<table>
<thead>
<tr>
<th>Equity-based</th>
<th>مبتنی بر حقوق صاحبان سهام</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt-based</td>
<td>مبتنی بر بدهی</td>
</tr>
<tr>
<td>representing</td>
<td>نمایندگی</td>
</tr>
</tbody>
</table>
Derivatives

- upon the characteristics and value of an underlier, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options.
- Advanced investors sometimes purchase or sell derivatives to manage the risk associated with the underlying, to protect against fluctuations in value, or to profit from periods of inactivity or decline.
- These techniques can be quite complicated and quite risky.

<table>
<thead>
<tr>
<th>Derivatives</th>
<th>characteristic</th>
<th>commodity</th>
<th>fluctuations</th>
<th>نوسانات</th>
<th>کاهش</th>
<th>کاملاً بغرنجه</th>
</tr>
</thead>
<tbody>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>ابزارهای مشتقة</td>
<td>ویژگی</td>
<td>كالا</td>
</tr>
</tbody>
</table>
## Types of Securities

**risk-less securities**

Treasuries (gilt-edged): low liquidity risk, almost zero credit risk, safest form of investment, lowest return.

<table>
<thead>
<tr>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Treasuries (gilt-edged)</strong></td>
<td>Low liquidity risk, almost zero credit risk, safest form of investment, lowest return.</td>
</tr>
<tr>
<td><strong>Treasury Bills</strong></td>
<td>Mature in less than 1 year</td>
</tr>
<tr>
<td><strong>Treasury Notes</strong></td>
<td>Mature in 1 to 10 years</td>
</tr>
<tr>
<td><strong>Treasury Bonds</strong></td>
<td>Mature in more than 10 years</td>
</tr>
</tbody>
</table>

**government bonds**

- Treasury Notes
- Treasury Bonds

**municipality bonds**

- gilt-edged
- Municipality Bonds

- ممتاز
- استاد خزانه
- اوراق شهرداری
Types of Securities

- **fixed-income securities**
  - Corporate bonds
  - Preferred stocks

- **Variable-income securities**
  - Common stocks / Convertibles / variable rate bonds / Warrants / Call option / Put option / Future contract / Forward contract

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Call option</td>
<td>انتخاب خرید</td>
</tr>
<tr>
<td>Put option</td>
<td>انتخاب فروش</td>
</tr>
<tr>
<td>Future contract</td>
<td>قرارداد آتی</td>
</tr>
</tbody>
</table>
**STOCKS**

**Common stocks**

- **Represents ownership in the company**
- **Has voting rights for directors and directly on stockholder matters of great importance**
  - **one share = one vote**
- **Claim on assets: only if the company goes bankrupt**

<table>
<thead>
<tr>
<th>English</th>
<th>Persian</th>
</tr>
</thead>
<tbody>
<tr>
<td>voting right</td>
<td>حق رای</td>
</tr>
<tr>
<td>Claim on assets</td>
<td>ادعاي دارایي</td>
</tr>
<tr>
<td>bankrupt</td>
<td>ورشکستگي</td>
</tr>
</tbody>
</table>
**STOCKS**

**Common stocks**

**Claim on earnings: dividend**

- In the event of liquidation all creditors must be paid before the shareholders get anything.
- All assets remaining after satisfying the creditors belongs to the shareholders.

<table>
<thead>
<tr>
<th>Claim on earnings</th>
<th>ادعا در درآمدها</th>
<th>liquidation</th>
<th>انحلال</th>
</tr>
</thead>
<tbody>
<tr>
<td>dividend</td>
<td>سود تقسيمی</td>
<td>satisfy</td>
<td>رضایت داشتن</td>
</tr>
<tr>
<td>residual</td>
<td>باقی مانده</td>
<td>belong</td>
<td>وابسته بودن</td>
</tr>
</tbody>
</table>
Preferred stocks

Have some degree of ownership in the company.

Dividends need not be paid, but must be paid if the corporation wants to pay any dividends to the common shareholders.

A fixed dividend guaranteed forever
Preferred stocks

A fixed dividend guaranteed forever

In case of liquidation, preferred shareholders are paid off before the common shareholders

If cumulative (most are), all missed dividend payments must be paid before any payments to the common shareholders.
Treasury stock

the portion of shares that a company keeps in their own treasury

Treasury stock may have come from a repurchase or buyback from shareholders; or it may have never been issued to the public in the first place

These shares don't pay dividends, have no voting rights, and should not be included in shares outstanding calculations
Treasury stock

often created when shares of a company are initially issued.

Alternatively, treasury stock can be created when a company does a share buyback and purchases its shares on the open market.

not all shares are issued to the public, as some are kept in the company's treasury to be used to create extra cash should it be needed.

Another reason may be to keep a controlling interest within the treasury to help ward off hostile takeovers.

<table>
<thead>
<tr>
<th>extra cash</th>
<th>وجه نقد اضافی</th>
<th>hostile takeovers</th>
<th>تصاحب خصمانه</th>
</tr>
</thead>
<tbody>
<tr>
<td>ward off</td>
<td>دفع کردن</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Growth stock**

Shares in a company whose earnings are expected to grow at an above-average rate relative to the market.

Also known as a "glamour stock"

usually does not pay a dividend, as the company would prefer to reinvest retained earnings in capital projects.

Most technology companies are growth stocks.

**High p/e ratio**

<table>
<thead>
<tr>
<th>glamour stock</th>
<th>سهام پرزرق و برق</th>
</tr>
</thead>
<tbody>
<tr>
<td>reinvest</td>
<td>سرمایه گذاری مجدد</td>
</tr>
</tbody>
</table>
### Value Stock

A stock that tends to trade at a lower price relative to its fundamentals (i.e. dividends, earnings, sales, etc.) and thus considered undervalued by a value investor.

<table>
<thead>
<tr>
<th>English</th>
<th>Persian</th>
</tr>
</thead>
<tbody>
<tr>
<td>tend</td>
<td>متمایل بودن</td>
</tr>
<tr>
<td>undervalued</td>
<td>کم ارزش گذاری شده</td>
</tr>
</tbody>
</table>
STOCKS

Value Stock

• high dividend yield
• low price-to-book ratio and/or low price-to-earnings ratio
• A value investor believes that the market isn't always efficient and that it's possible to find companies trading for less than they are worth
• An easy way to attempt to find value stocks is to use the "Dogs of the Dow" investing strategy - buying of the 10 highest dividend-yielding stocks on the Dow Jones at the beginning of each year and adjusting it every year thereafter.
STOCKS

X - value stock

**Large-value stock**
- When a stock has been identified as a value stock
- its market capitalization puts it in the large-cap range of the market

**Mid-value stock**
- shares of a company with a medium (or midsized) market capitalization that are trading below the stock's intrinsic value
- When a stock has been identified as a value stock
- its market capitalization puts it in the mid-cap range of the market

**Small value stock**
- shares of a company with a small market capitalization that are trading at or below the stock's book value
A newly issued stock that rapidly rises in price due to high demand.

Google's stock was a hot stock when it was first available to the public, due to the success of the company up to that point, and its potential for future growth.

A stock whose price continues to rise quickly and consistently over an extended period of time.
super voting stock (control stock)

Gives its holders a larger number of votes per share in comparison to other classes.

This allows the holders to retain control of the company without needing to own a majority of its shares.

limited voting stock

gives its holder a smaller proportion of voting rights in comparison to a different class of stock issued by the same firm.
Efficient market hypothesis (EMH)

The proposition that an asset's current price fully reflects all publicly available information about future economic fundamentals affecting the asset's value.

Arbitrage

Simultaneous purchase and sale of commodities to profit from unequal prices.
Efficient market hypothesis (EMH)

1. Strong Form Efficiency

The price of a security is expected to equal the value of the security if all relevant information is used in this valuation, even if not publicly available.

Gaining insider information such as potential take-over bids will have no value to an investor because that is relevant information and will have already been incorporated into the price of the security.

In reality, gaining inside information can allow an investor to make excessive gains.
you have the ability to make excess returns on insider information.

any information that is available to the public will be factored into the value and therefore the price of the security.

If semi-strong form efficiency holds, the excess returns that an investor can realize should not exceed the cost of the analysis.
Considering the volume of publicly available information, weak form efficiency accepts the premise that evaluating that information can provide excess returns.
**Efficient market hypothesis (EMH)**

**Random-Walk Behavior of Stock Prices**

The term random walk describes the movements of a variable whose future changes cannot be predicted (are random) because, given today’s value, the variable is just as likely to fall as to rise.

An important implication of the efficient market hypothesis is that stock prices should approximately follow a random walk.

States that future changes in stock prices should be unpredictable.

The efficient market hypothesis suggests that technical analysis is a waste of time.

<table>
<thead>
<tr>
<th>approximately</th>
<th>تقريباً</th>
<th>waste of time</th>
<th>وقت تلف كردن</th>
</tr>
</thead>
<tbody>
<tr>
<td>unpredictable</td>
<td>غير قابل پیش بینی</td>
<td>describe</td>
<td>توصیف كردن</td>
</tr>
</tbody>
</table>
A method of transacting different securities orders that involves the immediate execution of orders upon their reception by market makers and specialists.

- in the U.S., all trades occur on a continuous basis except at opening

<table>
<thead>
<tr>
<th>Action</th>
<th>Persian</th>
</tr>
</thead>
<tbody>
<tr>
<td>execution</td>
<td>اجرا</td>
</tr>
<tr>
<td>reception</td>
<td>پذیرش</td>
</tr>
<tr>
<td>specialists</td>
<td>متخصصان</td>
</tr>
</tbody>
</table>
Batch trading

- A method of transacting different security orders that involves the accumulation of orders and their simultaneous execution.
- A security experiencing a relatively high volume of trades can have its orders batched and executed at the same time when the desired price is reached.
- In the U.S., batch trading occurs for all orders sent to market after market hours.
- These orders are collected and batched until the market opens, at which time they are transacted all at once.
Methods of trading on exchanges

Block trading

- A large amount of securities being traded, typically at least 10,000 shares of stock or $200,000 in bonds.
- Normally, only institutional investors undertake such large trades.
- Block trades can affect the market price of the security.
Open outcry trading

- A Method of public auction in which verbal bids and offers are made in the trading rings or pits.
- Used on the futures and options exchanges.
- A contract is made if one trader cries out that he wants to sell at a certain price and then another trader yells out that he will buy at that same price.

<table>
<thead>
<tr>
<th>Open outcry trading</th>
<th>معامله حراجی</th>
<th>cry out</th>
<th>فروش فریاد</th>
</tr>
</thead>
<tbody>
<tr>
<td>trading rings or pits</td>
<td>رینگ معاملات</td>
<td>yell out</td>
<td>خرید فریاد</td>
</tr>
</tbody>
</table>
A securities exchange that facilitates trading through a blend of an automated electronic trading platform and a traditional floor broker system.

- Gives brokers a choice between participating in the exchange through the traditional floor broker system, or the faster automated electronic exchange system.

- In January 2007, the New York Stock Exchange (NYSE) became the prominent example of a hybrid market.
Stock-picking strategies

Fundamental Analysis

- A method of evaluating a security by measuring its intrinsic value by examining related economic, financial and other qualitative and quantitative factors.
- study everything that can affect the security's value
  - macroeconomic factors (like the overall economy and industry conditions)
  - company-specific factors (like financial condition and management).
  - The end goal is to produce a value that an investor can compare with the security's current price to figure out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

- Quantitative Analysis
- Qualitative Analysis

<table>
<thead>
<tr>
<th>Stock-picking</th>
<th>معامله سهام</th>
</tr>
</thead>
<tbody>
<tr>
<td>macroeconomic</td>
<td>اقتصاد کلان</td>
</tr>
<tr>
<td>figure out</td>
<td>کشف کردن</td>
</tr>
</tbody>
</table>
Stock-picking strategies

Value Investing
- find companies trading below their inherent worth.
- looks for stocks of companies with strong fundamentals that seem to be incorrectly valued (undervalued) by the market and therefore have the potential to increase in share price when the market corrects its error in valuation.

Growth Investing
- Focus on the future potential of a company, with much less emphasis on its present price.
- Unlike value investors, growth investors buy companies that are trading higher than their current intrinsic worth with the belief that the companies' intrinsic worth will grow and therefore exceed their current valuations.
Stock-picking strategies

GARP Investing (Growth at a Reasonable Price)

- seeks to combine both growth investing and value investing.
- looks for companies that are showing consistent earnings growth above broad market levels while excluding companies that have very high valuations.
- looks for companies that are somewhat undervalued given their growth potential.
- avoids the extremes of either growth or value investing
- typically leads GARP investors to growth-oriented stocks with relatively low price/earnings (P/E) multiples in normal market conditions.
Stock-picking strategies

Income Investing

- aims to pick companies that provide a steady stream of income
  - fixed-income securities such as bonds.
  - stocks can also provide a steady income by paying a solid dividend.

CANSILM

- a philosophy of screening, purchasing, and selling common stock.

\[ C = \text{Current quarterly earnings per share} / A = \text{Annual earnings per share} \]

\[ N = \text{New things} / S = \text{Shares outstanding} / L = \text{Leaders} \]

\[ I = \text{Institutional sponsorship} / M = \text{Market direction} \]
Stock-picking strategies

Dogs of the Dow

✓ the 10 of the 30 companies in the Dow Jones Industrial Average (DJIA) with the highest dividend yield.

✓ investor shuffles around his or her portfolio, adjusting it so that it is always equally allocated in each of these 10 stocks.
Stock-picking strategies

Technical Analysis

✓ is the polar opposite of fundamental analysis
✓ is not concerned with a stock's intrinsic value
✓ looks at past market activity to determine future price movements.
✓ studies past stock price data and searches for patterns such as trends and regular cycles.
✓ technical analysts (chartists) look at the past charts of prices and different indicators to make inferences about the future.
Style analysis

- Growth investing
- Value investing
- Large-cap investing
- Small-cap investing
- Passive trading (invest in index funds, which historically have outperformed the majority of actively managed funds)
  - Buy and hold: A passive investment strategy
  - Dollar cost averaging

- Active trading
  - actively picking stocks and making buy and sell decisions in attempt to reap the highest returns possible and beat/outpace/outperform the market.
Loans

**Short-term loan**
- less than one year
- money market

**Long-term loan**
- more than one year
- capital market

<table>
<thead>
<tr>
<th>Short-term loan</th>
<th>قرضه کوتاه مدت</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term loan</td>
<td>قرضه بلندمدت</td>
</tr>
</tbody>
</table>
Loans

Default

1. The failure to promptly pay interest or principal when due

- Default occurs when a debtor is unable to meet the legal obligation of debt repayment
- Borrowers may default when they are unable to make the required payment or are unwilling to honor the debt.
- Defaulting on a debt obligation can place a company or individual in financial trouble.

<table>
<thead>
<tr>
<th>obligation</th>
<th>تعهد</th>
</tr>
</thead>
<tbody>
<tr>
<td>unwilling</td>
<td>بی میل</td>
</tr>
<tr>
<td>financial trouble</td>
<td>مشکلات مالی</td>
</tr>
</tbody>
</table>
Default

2. The failure to perform on a futures contract as required by an exchange.

- occurs when one party does not fulfill the obligations set forth by the agreement
- The default usually involves not settling the contract by the required date
- A person in the short position will default if he or she fails to deliver the goods at the end of the contract
- The long position defaults when payment is not provided by the settlement date
Loans

- the borrower makes no payments until the due date at which time they pay the principal and all accumulated interest.
- Most money market transactions take the form of pure discount loans. This includes bankers' acceptances and government treasury bills.

<table>
<thead>
<tr>
<th>Pure Discount Loans</th>
<th>قرضه با تخفیف خالص</th>
</tr>
</thead>
<tbody>
<tr>
<td>acceptance</td>
<td>پذیرش</td>
</tr>
</tbody>
</table>
**Loans**

- the loan agreement calls for the borrower to pay the accumulated interest on a periodic basis (as an ordinary annuity) and repay the initial loan value and accumulated interest at the end of the term (known as a balloon payment).
- Most bonds have this form of payment schedule.

<table>
<thead>
<tr>
<th>periodic</th>
<th>دوره ای</th>
</tr>
</thead>
<tbody>
<tr>
<td>ordinary annuity</td>
<td>سالیانه عادی</td>
</tr>
</tbody>
</table>
Loans

• An amortized loan calls for the borrower to make a series of payments that partially pay off the principal of the loan over the life of the loan, leaving an outstanding balance of zero at the end of the loan.

• Amortized loans can include terms such as all accumulated interest each period plus a fixed amount towards the principal (common in medium-term business loans).

• The most common form of amortized loan calls for the borrower to make payments that are the same amount every period.

Fully Amortized Loans (fixed-payment loans)
Loans

**Partial Amortization**

- With this form of loan the borrower pays the accumulated interest and an amount towards the principal of the loan each period.
- At the end of the loan the borrower still has a balance owing which must be paid at that time.
When a corporation wants to borrow money on a long-term basis, they will issue bonds. This is a primary market transaction in the capital market.

If sold to individual investors it is an example of direct finance, a private placement with a financial institution would be indirect finance.

A bond is a form of interest only loan. The bond pays interest through the life of the security and repays the principal and accumulated interest at maturity.
Face Value

this is the nominal value of the bond.

The interest payments are paid as a percentage of the face value, and the final payment is the face value plus the last interest payment.

The face value is usually the price at which the bond was issued but the value of the bond will change over the life of the bond as interest rates or the perceived risk of the bond changes.

Face value is also called par value.
The periodic interest payments are called coupons.
In the past it was common that the bond would have a series of coupons attached which would represent the interest payments. The investor would take these coupons and present them to the company to receive payment.

**Coupon rate**

The rate of interest that is paid on the face value of the bond per year. This rate is specified when the bond is issued and doesn't change over the life of the bond.
**Bond Terminology**

**Maturity**

Another term specified when the bond is issued is when the face value of the bond will be repaid, retiring the bond. This is given as a specific date.

**Time to Maturity**

Often referred to as just maturity, this is simply the amount of time until the date specified as the maturity of the bond. Obviously this changes through the life of the bond.
yield to maturity (YTM)

The rate of return on a bond

the discount rate that would set the present value of the bond's cash flows equal to the current selling price of the bond

The yield that the bond is generating in the marketplace has no effect on the issuer since the coupon payments are fixed at the time the bond is issued.
economists consider it the most accurate measure of interest rates.

Current yield

Coupon/current market price
Interest Rate Risk

✓ Over time interest rates change
✓ If you own a bond, the value of your investment will change every time interest rates change.
✓ The price of a coupon bond and the yield to maturity are negatively related
✓ If interest rates rise, the price of a bond will fall.
✓ When interest rates go down bond prices rise
✓ The longer the time to maturity, the greater the interest rate risk
✓ In general the higher the coupon rate, the lower the sensitivity to interest rate changes

<table>
<thead>
<tr>
<th>Interest Rate Risk</th>
<th>حساسیت</th>
</tr>
</thead>
<tbody>
<tr>
<td>negatively</td>
<td>کاهش یافتن</td>
</tr>
</tbody>
</table>

در جهت منفی fall
The risk structure of interest rates

Bonds with identical risk, liquidity, and tax characteristics may have different interest rates because the time remaining to maturity is different.

yield curve: A plot of the yields on bonds with differing terms to maturity but the same risk, liquidity, and tax considerations

Three theories have been put forward to explain the term structure of interest rates; that is, the relationship among interest rates on bonds of different maturities reflected in yield curve patterns

(1) the expectations theory
(2) the segmented markets theory
(3) the liquidity premium theory

<table>
<thead>
<tr>
<th>IDENTICAL RISK</th>
<th>نرخ معین</th>
<th>LIQUIDITY PREMIUM</th>
<th>رجحان نقدینگی</th>
</tr>
</thead>
<tbody>
<tr>
<td>YIELD CURVE</td>
<td>منحنی بازده</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The risk structure of interest rates

The expectations theory

- The interest rate on a long-term bond will equal an average of short-term interest rates that people expect to occur over the life of the long-term bond.
- If people expect that short-term interest rates will be 10% on average over the coming five years, the expectations theory predicts that the interest rate on bonds with five years to maturity will be 10% too.
Segmented markets theory

- sees markets for different-maturity bonds as completely separate and segmented.
- The interest rate for each bond with a different maturity is then determined by the supply of and demand for that bond with no effects from expected returns on other bonds with other maturities.

The risk structure of interest rates

Segmented markets theory

تنوری بازارهای بخش بندی شده
The risk structure of interest rates

liquidity premium theory

the interest rate on a long-term bond will equal an average of short-term interest rates expected to occur over the life of the long-term bond plus a liquidity premium (also referred to as a term premium) that responds to supply and demand conditions for that bond.
The risk structure of interest rates

preferred habitat theory

- Closely related to the liquidity premium theory
- Assumes that investors have a preference for bonds of one maturity over another, a particular bond maturity (preferred habitat) in which they prefer to invest.
- Because they prefer bonds of one maturity over another they will be willing to buy bonds that do not have the preferred maturity only if they earn a somewhat higher expected return.
- Because investors are likely to prefer the habitat of short-term bonds over that of longer-term bonds, they are willing to hold long-term bonds only if they have higher expected returns.
The risk structure of interest rates

preferred habitat theory

The liquidity premium and preferred habitat theories are the most widely accepted theories of the term structure of interest rates because they explain the major empirical facts about the term structure so well.

They combine the features of both the expectations theory and the segmented markets theory by asserting that a long-term interest rate will be the sum of a liquidity (term) premium and the average of the short term interest rates that are expected to occur over the life of the bond.
The risk structure of interest rates

The relationship between the expectations theory and the liquidity premiums and preferred habitat theories.
The prices of bonds are published in a variety of places including:
- Online information services
- Financial press

**The ask price**
- The price at which dealers in Treasury bonds are willing to sell

**The bid price**
- The price at which dealers in Treasury bonds are willing to buy

The ask price always exceeds the bid price

**Ask Yld**
- The yield to maturity computed using the asked price

<table>
<thead>
<tr>
<th>ask price</th>
<th>قیمت عرضه</th>
</tr>
</thead>
<tbody>
<tr>
<td>bid price</td>
<td>قیمت تقاضا</td>
</tr>
</tbody>
</table>
There are two general forms of bonds:

- registered bonds
- bearer bonds

**registered bond**

- It is the most common form of bonds.
- The company has a registrar who keeps track of all of the bonds that the company issues and records any change in ownership.
- In most cases, whenever an interest or face value payment is due, the company will mail a cheque directly to the address of the owner of record.
- In some rare cases, the owner still has to detach a coupon and present it to receive payment.

<table>
<thead>
<tr>
<th>registered bonds</th>
<th>cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td>قرضه بانام</td>
<td>جک</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>bearer bonds</th>
<th>detach</th>
</tr>
</thead>
<tbody>
<tr>
<td>قرضه در وجه حامل</td>
<td>کندن</td>
</tr>
</tbody>
</table>
**bearer bond**

- The bond certificate itself is the only evidence of ownership if the bond is issued in bearer form.
- This makes it difficult to recover if lost or stolen.
- Also the company can't contact the owners.
- It does make trading simple and anonymous.

<table>
<thead>
<tr>
<th>English</th>
<th>Persian</th>
</tr>
</thead>
<tbody>
<tr>
<td>recover</td>
<td>پوشش دادن</td>
</tr>
<tr>
<td>anonymous</td>
<td>بی نام</td>
</tr>
<tr>
<td>stolen</td>
<td>دزدیده شده</td>
</tr>
</tbody>
</table>
Government bond

Municipal bond (muni)

- A debt security issued by a state, municipality or county to finance its capital expenditures.

- Interest is tax-exempt

Revenue bond

- bond issued by a municipality to finance a specified public works project and supported by the revenues of that project.

- carry a slightly higher risk and interest rate than G.O. bonds

- are usually considered the second-most secure type of municipal bonds.

<table>
<thead>
<tr>
<th>expenditures</th>
<th>هزینه‌ها</th>
<th>slightly higher</th>
<th>کمی بیشتر</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue bond</td>
<td>قرضه درآمده</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Corporate bond

General obligation bond (GO)

A municipal bond backed by the credit and "taxing power" of the issuing jurisdiction rather than the revenue from a given project.

They are issued with the belief that a municipality will be able to repay its debt obligation through taxation or revenue from projects.

are usually considered the most secure type of municipal bonds
# Bonds

- **Discount bond**
  - market price < face value
  - YTM > current yield > coupon rate

- **Par bond**
  - market price = face value
  - YTM = current yield = coupon rate

- **Premium bond**
  - market price > face value
  - YTM < current yield < coupon rate

<table>
<thead>
<tr>
<th>Discount bond</th>
<th>قرضه به کسر</th>
<th>Premium bond</th>
<th>قرضه به صرف</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par bond</td>
<td>قرضه با ارزش واقعی</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Bonds

Yield Relationships

- coupon_y
- current_y
- y_t_m

Price

Yield

800.00 1000.00 1200.00

0.07 0.09 0.11 0.13
## Zero-coupon bond
- Bond with no maturity date
- Are not redeemable but pay a steady stream of interest forever.

## Consol (Perpetual bond)
- Bonds sold in a country different from the issuing company.

<table>
<thead>
<tr>
<th>Zero-coupon bond</th>
<th>قرضه بدون کوپن</th>
<th>redeemable</th>
<th>قابل بازخرید</th>
</tr>
</thead>
<tbody>
<tr>
<td>perpetual bond</td>
<td>قرضه مادام العمر</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Foreign bonds

are sold in a foreign country and are denominated in that country’s currency.

For example, if the German automaker Porsche sells a bond in the United States denominated in U.S. dollars, it is classified as a foreign bond.

Eurobond

a bond denominated in a currency other than that of the country in which it is sold

for example, a bond denominated in U.S. dollars sold in London

Most Eurobonds are not denominated in Euros but are instead denominated in U.S. dollars
**Euro-currencies**

- foreign currencies deposited in banks outside the home country.
- The most important of the Euro-currencies are Eurodollars
- Eurodollars
- U.S. dollars deposited in foreign banks outside the United States or in foreign branches of U.S. banks

<table>
<thead>
<tr>
<th>Eurocurrencies</th>
<th>ارز اروپایی</th>
</tr>
</thead>
<tbody>
<tr>
<td>branch</td>
<td>شعبه</td>
</tr>
</tbody>
</table>
Variable Rate Bonds (Floating Rate Bonds)

- coupon-paying bonds where the coupon interest rate (and dollar coupon) is tied to a common market rate such as the current interest rate on Treasury bonds.
- Relative to fixed coupon rate bonds, variable rate bonds protect the lender from rising interest rates.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Rate Bonds</td>
<td>قرضه با نرخ متغیر</td>
</tr>
<tr>
<td>Floating Rate Bonds</td>
<td>قرضه با نرخ متغیر</td>
</tr>
<tr>
<td>tied</td>
<td>گره خورده</td>
</tr>
</tbody>
</table>
Income Bonds

- Bonds where the coupon payment is dependent on the income of the firm.
- If the firm doesn't have sufficient income, it can lower or even skip the coupon payment.
- In some ways this form of bond is closer to equity than it is to debt.
Real return bonds

- have a coupon rate that is dependent upon the level of inflation.
- The low coupon rate and the effective face value are increased based on a measure of inflation defined in the bond's indenture.
- These types of bond are more popular with investors when inflation rates are high and variable.
The LYON

- was created by Merrill-Lynch (an investment dealer)
- A LYON is a callable, puttable, convertible, zero coupon bond.

Debenture (default bond)

- Bonds backed only by the good name of the firm
Secured bond (default –free bond)

- Specific assets are pledged as collateral for a bond issue
- mortgage bond: the assets pledged are real estate
- chattel mortgage: the assets pledged are other specific property; a railroad car, a truck, etc.
- blanket mortgage: the bond is backed by a claim against all real property owned by the company

<table>
<thead>
<tr>
<th>default –free bond</th>
<th>قرضه بدون ریسک نکول</th>
<th>chattel mortgage</th>
<th>رهن دارایی غير ملکی</th>
</tr>
</thead>
<tbody>
<tr>
<td>mortgage bond</td>
<td>قرضه رهنی</td>
<td>blanket mortgage</td>
<td>رهن پوششی</td>
</tr>
</tbody>
</table>
Convertible bond (CV)

A bond that can be converted into a predetermined amount of the company's equity at certain times during its life, usually at the discretion of the bondholder.

It offers a lower rate of return in exchange for the value of the option to trade the bond into stock.

<table>
<thead>
<tr>
<th>predetermined</th>
<th>از پیش تعیین شده</th>
</tr>
</thead>
<tbody>
<tr>
<td>bondholder</td>
<td>دارنده قرضه</td>
</tr>
</tbody>
</table>
Callable bond (redeemable bond)

- American Callable bond: can be redeemed at any time before maturity
- European Callable bond: can be redeemed at a predetermined date prior to maturity

Putable bond (Retractable bond)

gives the owner the right to sell the bond back to the issuer before maturity at a pre-specified price.

<table>
<thead>
<tr>
<th>pre-specified</th>
<th>از پیش تعیین شده</th>
</tr>
</thead>
<tbody>
<tr>
<td>Callable bond</td>
<td>قرضه قابل بازخرید</td>
</tr>
<tr>
<td>Putable bond</td>
<td>قرضه قابل فروش</td>
</tr>
</tbody>
</table>
A common feature in bond indentures is the creation of a sinking fund. With a sinking fund the company pledges to repurchase and cancel a certain amount of the issue at specified times. These purchases can start immediately or at some point in the future.

The effect of a sinking fund provision is to slightly reduce the cost to the issuer by increasing the value to investors by:

- reducing the risk of default on the face value because the company owes less at that time.
- increasing demand for the bond by having the company purchasing on a regular basis.
Protective Covenants

- To convince investors to buy the company's bonds the management must convince them that they won't make decisions that go against their interests, even though it may be in the best interests of the owners of the company.
- One way of doing this is to include a protective covenant in a bond issue.
- This is a legally binding contract that can require management to do certain actions such as:
  - provide periodic financial statements
  - maintain the collateral in good condition
  - It can also forbid certain actions
  - pay no more than a certain level of dividends
  - keep capital expenditures below $X
  - Issue no secured debt
Bond rating (investment grade/credit rating)

- A grade given to bonds that indicates their credit quality
- Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these evaluations of a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion.
- are expressed as letters ranging from 'AAA', which is the highest grade, to 'C' ("junk"), which is the lowest grade.
- Different rating services use the same letter grades, but use various combinations of upper- and lower-case letters to differentiate themselves.
**Bond rating (investment grade/ credit rating)**

**Standard & Poor's format**

- AAA and AA: High credit-quality investment grade
- AA and BBB: Medium credit-quality investment grade
- BB, B, CCC, CC, C: Low credit-quality (non-investment grade), or "junk bonds"
- D: Bonds in default for non-payment of principal and/or interest
- Junk Bond
  - Bonds that are rated less than investment quality at the time of issue
  - High yield
  - Speculative bond
  - Rated BB or lower because of its high default risk
  - Expected return almost 3-4% higher

<table>
<thead>
<tr>
<th>principal</th>
<th>اصل پول</th>
</tr>
</thead>
<tbody>
<tr>
<td>junk bonds</td>
<td>قرضه بنجل</td>
</tr>
<tr>
<td>Speculative bond</td>
<td>قرضه سوداگرانه</td>
</tr>
</tbody>
</table>
## Rating Categories

<table>
<thead>
<tr>
<th>Rate</th>
<th>Quality</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>Investment</td>
<td>High</td>
</tr>
<tr>
<td>AA</td>
<td>Investment</td>
<td>Medium</td>
</tr>
<tr>
<td>A</td>
<td>Speculative</td>
<td>Low</td>
</tr>
<tr>
<td>BBB</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>BB</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>B</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>CCC</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>CC</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>C</td>
<td>Speculative</td>
<td>Very Low</td>
</tr>
<tr>
<td>D</td>
<td>Not Rated</td>
<td></td>
</tr>
<tr>
<td>NR</td>
<td>Not Rated</td>
<td></td>
</tr>
</tbody>
</table>
Future market

Market in which participants can buy and sell commodities and their future delivery contracts provides a medium for the complementary activities of hedging and speculation necessary for dampening wild fluctuations in the prices caused by gluts and shortages.
A contractual agreement, generally made on the trading floor of a futures exchange, to buy or sell a particular commodity or financial instrument at a pre-determined price in the future.

Futures contracts are standardized with respect to the quantity and quality of the underlying asset, and the time, and location of delivery to facilitate trading on a futures exchange.
Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The contracts can also be traded. There is no specific link between the buyer and seller. Any gains or losses are realized on a daily basis.
an agreement between two parties to exchange at some fixed future date, a given quantity of a commodity for a price defined today. Agreement to buy now, pay and deliver later. The fixed price today is known as the forward price.
# Forward Contract vs. Futures Contract

<table>
<thead>
<tr>
<th></th>
<th>Forward Contract</th>
<th>Futures Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Transaction method:</strong></td>
<td>Negotiated directly by the buyer and seller</td>
<td>Quoted and traded on the Exchange</td>
</tr>
<tr>
<td><strong>Guarantees:</strong></td>
<td>None. It is very difficult to undo the operation; profits and losses are cash settled at expiry.</td>
<td>Both parties must deposit an initial guarantee (margin). The value of the operation is marked to market rates with daily settlement of profits and losses.</td>
</tr>
<tr>
<td><strong>Structure:</strong></td>
<td>Customized to customers need. Usually no initial payment required.</td>
<td>Standardized. Initial margin payment required.</td>
</tr>
</tbody>
</table>
# Forward Contract vs. Futures Contract

<table>
<thead>
<tr>
<th>Method of pre-termination</th>
<th>Opposite contract with same or different counterparty. Counterparty risk remains while terminating with different counterparty.</th>
<th>Opposite contract on the exchange.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>High counterparty risk</td>
<td>Low counterparty risk</td>
</tr>
<tr>
<td>Market regulation</td>
<td>Not regulated</td>
<td>Government regulated market</td>
</tr>
<tr>
<td>What is it?</td>
<td>A forward contract is an agreement between two parties to buy or sell an asset (which can be of any kind) at a pre-agreed future point in time.</td>
<td>A futures contract is a standardized contract, traded on a futures exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price.</td>
</tr>
</tbody>
</table>
## Forward Contract vs. Futures Contract

<table>
<thead>
<tr>
<th></th>
<th>Institutional guarantee</th>
<th>Clearing House</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institutional guarantee</strong></td>
<td>The contracting parties</td>
<td></td>
</tr>
<tr>
<td><strong>Contract size</strong></td>
<td>Depending on the transaction and the requirements of the contracting parties.</td>
<td>Standardized</td>
</tr>
<tr>
<td><strong>Expiry date</strong></td>
<td>Depending on the transaction</td>
<td>Standardized</td>
</tr>
</tbody>
</table>

### Institutional guarantee

#### ضمانت سازمانی

- 1391

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**Note:** The image contains text in both English and Farsi. The English text is translated from Farsi as follows:

- **Institutional guarantee:** The contracting parties
- **Clearing House:**
- **Contract size:** Depending on the transaction and the requirements of the contracting parties.
- **Standardized:**
- **Expiry date:** Depending on the transaction
- **Standardized:**
**Futures Trading**

When two parties trade a futures contract on an exchange the price is recorded as well as the identities of the two parties.

At that point the link between the buyer and seller is broken.

The buyer now has an agreement to buy the asset from the clearinghouse.

The seller has the obligation to sell to the clearinghouse.

<table>
<thead>
<tr>
<th>Futures Trading</th>
<th>معاملات آتی</th>
<th>Short position</th>
<th>دوره کوتاه</th>
</tr>
</thead>
<tbody>
<tr>
<td>clearinghouse</td>
<td>تهاتری</td>
<td>Long position</td>
<td>دوره طولانی</td>
</tr>
</tbody>
</table>

Short position (present seller)

Long position (future buyer)
Basic Grade (par grade/contract grade)

the minimum accepted standard that a deliverable commodity must meet in future contract.

Clearing house

An agency or separate corporation of a futures exchange responsible for:
- settling trading accounts
- clearing trades
- collecting and maintaining margin monies
- regulating delivery
- reporting trading data
Futures Trading

Clearing house

act as third parties to all futures and options contracts
as a buyer to every clearing member seller and a seller to every clearing member buyer.
Each futures exchange has its own clearing house
All members of an exchange are required to clear their trades through the clearing house at the end of each trading session and to deposit with the clearing house a sum of money (based on clearinghouse margin requirements) sufficient to cover the member's debit balance.
Futures Trading

Marking to market

A futures trader, when taking a position, deposits money with the exchange, called a "margin". This is intended to protect the exchange against loss. At the end of every trading day, the contract is marked to its present market value. If the trader is on the winning side of a deal, his contract has increased in value that day, and the exchange pays this profit in cash into his account.

<table>
<thead>
<tr>
<th>margin</th>
<th>حاشیه</th>
</tr>
</thead>
<tbody>
<tr>
<td>winning</td>
<td>پیروزی</td>
</tr>
</tbody>
</table>
Futures Trading

Marking to market

On the other hand, if the market price of his contract has declined, the exchange charges his account that holds the deposited margin.

If the balance of this account falls below the deposit required to maintain the position, the trader must immediately pay additional margin into the account to maintain his position (a "margin call"). Marking to market significantly reduces the effect of one party being unable or unwilling to fulfill their obligations.
Futures Trading

maintenance margin requirement

The required amount of collateral or equity needed to maintain a margin account with an exchange. The minimum must be met at all times, but the particular amount required can vary.

In the case of two major U.S. indices, the New York Stock Exchange and Nasdaq, the maintenance margin is 25% of the value of the stocks in the margin account. An investor will face a margin call if unable to maintain this minimum level.
Futures Trading

Other Key Points About Futures

- They are settled daily
- Closing out a futures position involves entering into an offsetting trade
- Most contracts are closed out before maturity
- If a futures contract is not closed out before maturity, it is usually settled by delivering the assets underlying the contract.

<table>
<thead>
<tr>
<th>Key Points</th>
<th>نکات کلیدی</th>
</tr>
</thead>
<tbody>
<tr>
<td>offsetting trade</td>
<td>معامله جبرانی</td>
</tr>
</tbody>
</table>
Futures Trading

Some Terminology

- **Open interest**: the total number of contracts outstanding equal to number of long positions or number of short positions.
- **Settlement price**: the price just before the final bell each day used for the daily settlement process.
- **Volume of trading**: the number of trades in 1 day.

<table>
<thead>
<tr>
<th>English</th>
<th>Persian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open interest</td>
<td>بهره آزاد</td>
</tr>
<tr>
<td>Settlement price</td>
<td>قیمت حل و فصل</td>
</tr>
<tr>
<td>Volume of trading</td>
<td>حجم معامله</td>
</tr>
</tbody>
</table>
Margin trading

**Margin account**
A brokerage account in which the brokerage lends the customer cash with which to purchase securities. Unlike a cash account, a margin account allows an investor to buy securities with money that he/she does not have, by borrowing the money from the broker. The Federal Reserve limits margin borrowing to at most 50% of the amount invested. People usually open margin accounts to take advantage of an opportunity to leverage their investment, rather than because they don't have the money to make the full purchase. Brokerages charge a relatively low interest rate on margin loans in order to attract investors to buying.
# Short Selling

- The selling of a security that the seller does not own
- any sale that is completed by the delivery of a security borrowed by the seller
- Short sellers assume that they will be able to buy the stock at a lower amount than the price at which they sold short
- Selling short is the opposite of going long
- short sellers make money if the stock goes down in price
- an advanced trading strategy with many unique risks and pitfalls
- Novice investors are advised to avoid short sales

<table>
<thead>
<tr>
<th>Short Selling</th>
<th>فروش کوتاه</th>
<th>Novice investors</th>
<th>سرمایه گذاران تازه کار</th>
</tr>
</thead>
<tbody>
<tr>
<td>pitfalls</td>
<td>مشکلات</td>
<td>advise</td>
<td>نصیحت کردن</td>
</tr>
</tbody>
</table>
نمونه سوالات دوره های 17
1. If an investor may have to sell a bond prior to maturity and interest rates have risen since the bond was purchased, the investor is exposed to:

- A perpetuity
- The coupon effect
- Interest rate risk
- An indefinite maturity
2. A basic principle of finance is that the value of any investment is:

- Unrelated to the future net cash flows generated by the investment.
- The undiscounted sum of all future net cash flows generated by the investment.
- Unrelated to the degree of risk associated with the future net cash flows generated by the investment.
- The present value of all future net cash flows generated by the investment.
3. Which of the following statements concerning the cash balance is not true?

Firms with seasonal sales are likely to experience both cash deficits and cash surpluses throughout the year.

Cash shortfalls are almost always indicative of inability to earn profit.

Delayed collection on sales will usually lead to lower cash balances.

The forecasted cash balance is usually driven by sales forecasts.
4. ........ Are designated to replicate an index, such as the S&P 500 stock index ........, On the other hand, attempt to outperform an index and other funds by actively trading the fund portfolio.

<table>
<thead>
<tr>
<th>Passive funds – Fund of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active funds – Passive funds</td>
</tr>
<tr>
<td>Indexed funds – Passive funds</td>
</tr>
<tr>
<td>Passive funds – Active funds</td>
</tr>
</tbody>
</table>
5. Investment bankers may assist in offering the securities of government-owned companies to private investors.
6. The market for newly issued financial assets is called .......... after a certain period of time, the financial asset is bought and sold among investors. The market where this activity takes place is referred to as the ..........

<table>
<thead>
<tr>
<th>Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary market – Secondary market</td>
</tr>
<tr>
<td>Secondary market – Primary market</td>
</tr>
<tr>
<td>Secondary market – Stock market</td>
</tr>
<tr>
<td>Stock market – Primary market</td>
</tr>
</tbody>
</table>
7. The .......... Of a corporation means that all the assets of that corporation will distributed to the holders of claims on the corporation and no corporate entity will survive.

- Reorganization
- Liquidation
- Bankruptcy
- Voluntary bankruptcy
8. A .......... buys and sells securities for his or her own account and takes ownership of the securities as part of the transaction.

- Broker
- Dealer
- Market marker
- Exchanger
9. The probability that the issuer of a security will not pay it off at maturity is called:

- Market risk
- Credit risk
- Default risk
- Maturity risk
10. To financial analysts "working capital" means the same thing as

- Current assets
- Fixed assets
- Total assets
- Current assets minus current liabilities
11. The risk free security has a beta equal to .......... while the market portfolio's beta is ..........
منابع

- علی طالقانی؛ جزوه آموزشی لغات تخصصی آزمون تحلیلگری بازار سرمایه. "بهار 1389"

- وبلاگ آموزشی آزمون های بورس: www.azmoonbourse.blogsky.com
و صلی الله علی محمد و آل محمد
و آل محمد
اللهم صلی علی محمد و آل محمد