Video 6

Chapter 3: Glossary terms

Bid-ask spread

The difference between the highest price someone is willing to pay for a stock (the bid) and the lowest price someone is willing to sell it for (the ask). It's like negotiating a price: buyers want to pay less, and sellers want to sell for more. The smaller the spread, the easier it is to buy and sell.

Brokerage fees

Charges that investors pay to a brokerage firm for services such as buying and selling stocks, managing accounts or providing research tools. These fees can be a flat rate, a percentage of a trade or ongoing account fees.

Limit order

A request to buy or sell a stock at a specific price or better. For example, if you want to buy a stock, but only if it drops to $50, you can set a limit order at that price. It ensures you don't pay more (or sell for less) than you want, but there's no guarantee that the order will be completed if the price never reaches your limit.

Market order

The simplest type of order, in which you buy or sell a stock immediately at the next available price.

Stock order

A request to buy or sell a stock at a specific price or under certain conditions. It's like telling an online store you want to buy something, but you can set rules, such as only buying if the price drops to a certain level. Different types of orders help investors control how and when they trade stocks.

Stop order

A request to buy or sell a stock once it reaches a certain price. It helps protect against big losses or serves to lock in profits.

Stop-limit order

A combination of a stop order and a limit order. It is a request to buy or sell a stock once it hits a certain price (the stop price), but with a limit on the price you're willing to pay or accept.

Trailing stop order

A type of stop order where the stop price automatically moves up (for a buy) or down (for a sell) as the stock price changes. It helps protect profits by locking in gains if the stock price goes up, but selling if it drops by a certain amount.

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