**Alpha:**
Measure of risk-adjusted performance. An alpha is usually generated by regressing the security or mutual fund’s excess return on the S&P 500 excess return. The beta adjusts for the risk (the slope coefficient). The alpha is the intercept. Example: Suppose the mutual fund has a return of 25%, and the short-term interest rate is 5% (excess return is 20%). During the same time the market excess return is 9%. Suppose the beta of the mutual fund is 2.0 (twice as risky as the S&P 500). The expected excess return given the risk is 2 x 9% = 18%. The actual excess return is 20%. Hence, the alpha is 2% or 200 basis points. Alpha is also known as the Jensen Index.

**ATS:**
Alternative Trading System.

**Block:**
Large quantity of stock or large dollar amount of bonds held or traded. As a rule of thumb, 10,000 shares or more of stock and $200,000 or more worth of bonds would be described as a block.

**Beta:**
The measure of a fund’s or a stock’s risk in relation to the market or to an alternative benchmark. A beta of 1.5 means that a stock’s excess return is expected to move 1.5 times the market excess returns. For example, if market excess return is 10%, then we expect, on average, the stock return to be 15%. Beta is referred to as an index of the systematic risk due to general market conditions that cannot be diversified away.

**Block trade:**
A large trading order, defined on the New York Stock Exchange as an order that consists of 10,000 shares of a given stock or at a total market value of $200,000 or more.

**Dealer:**
An entity that stands ready and willing to buy a security for its own account (at its bid price) or sell from its own account (at its ask price). Individual or firm acting as a principal in a securities transaction. Principals are market makers in securities, and thus trade for their own account and risk. Antithesis of broker.

**Designated Order Turnaround system (DOT):**
Computerized order entry system that allows orders to buy or sell large baskets of stock to be transmitted immediately to the specialist on the exchange, where execution will occur quickly, depending on the basket size. Also used for odd-lot transactions to occur at the prices and quantities available.

**ECN:**
Electronic Communications Network.

**Liquidity:**
A high level of trading activity, allowing buying and selling with minimum price disturbance. Also, a market characterized by the ability to buy and sell with relative ease. Antithesis of illiquidity.

**Market impact costs:**
The result of a bid/ask spread and a dealer’s price concession. Also called price impact costs.

**Market-on-Close (MOC) order:**
An order to trade stocks, options, or futures as close as possible to the market close.

**Post-trade benchmarks:**
Prices after the decision to trade.

**Teeny:**
1/16 or 0.0625 of one full point in price.

**Tick:**
Refers to the minimum change in price a security can have, either up or down.

**Transaction costs:**
The time, effort, and money necessary, including such things as commission fees and the cost of physically moving the asset from seller to buyer. Transactions costs should also include the bid/ask spread as well as price impact costs (for example a large sell order could lower the price).

**Vanilla issue:**
A security issue that has no unusual features.

**VWAP:**
Volume Weighted Average Price.