100 Trading Terms

GENERAL TERMS | LINGO | PATTERNS

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What is Papermates?

Papermates was created to bridge the gap between curiosity and confidence in the markets.

- **Paper represents paper trading: the foundation for beginners to learn, practice, and make mistakes without real financial risk.**
- **Mates represents mentorship: a mentor/mentee environment focused on guidance, accountability, and growth.**

Papermates is about learning before earning, mastering the basics, and developing real market understanding...without hype, shortcuts, or unnecessary complexity.

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General Terms

GENERAL TRADING TERMS AND DEFINITIONS

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Accumulation

Gradual buying by institutional investors or traders, usually when the price is low or stable before a projected rise.

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Ask

The lowest price a seller will accept.

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Bear Market

A market trending downward. You'll usually this when the market is down more than 20%.

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Bid

The highest price a buyer is willing to pay.

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Body

The part of a candlestick that shows the Opening and Closing price of a stock.

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Breakout

Price moves outside a range or pattern. Commonly in Flags, Wedges, Channels and Trendlines.

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Bull Market

A market trending upward.

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Call

A option trading stratgey selected when you believe the price is going up in the future.

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Consolidation

Sideways price movement after a up or down trend.

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Correction

A short-term drop in price (usually 10%+). These usually happen after major price rallies.

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Crash

A sudden, sharp market or stock price drop.

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Dip

A minor price decline, usually 1-3%.

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Dump

A quick sell-off causing a price drop.

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Liquidity

How easily an asset can be bought or sold. If the asset lacks liquidity you may be stock holding it.

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Pullback

A small drop during an uptrend. Pullbacks are common and usually falls back to short term support.

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Pump

A fast, artificial price increase. There's usually no fundamental reason or news resulting in rally. Think "Pump and Dump".

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Put

A option trading stratgey selected when you believe the price is going down in the future.

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Rally

A strong uptrend in a stock price or a ‘Stock Market Rally”.

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Reversal

A change in trend direction.

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Slippage

The difference between expected and actual trade price.

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Spread

Difference between bid and ask.

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Volatility

How sharply a stock’s price moves up or down.

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Volume

The Number of shares or contracts traded on a stock.
Volume increases a stock's liquidity.

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Wick

The thin line on a candle showing high/low price.

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Technical Indicators

TRADING INDICATORS TERMS AND USE

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ATR (Average True Range)

Measures a stock's volatility. Can show you the average range in which a stock moves.

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Bollinger Bands

Shows a stock's volatility and price range.

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CCI (Commodity Channel Index)

Measures price deviation. Price deviation is simply how far the current price is from its “normal” value or price.

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Fibonacci Retracement

Predicts support/resistance zones.

The average FIB settings:

0.0
0.236
0.382
0.500
0.618
0.786
1.0

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Golden Pocket

Key Fibonacci Retracement zone to watch between 0.618–0.65.

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MACD (Moving Average Convergence Divergence

Shows Trend changes, direction and momentum.

MACD above 0 → bullish momentum
MACD below 0 → bearish momentum
MACD crosses above signal → potential buy signal
MACD crosses below signal → potential sell signal

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Moving Average (MA)

Smooths out price data over time by averaging past prices, making trends easier to see using the indicator.

Three Most Common MAs

SMA (Simple Moving Average) – Equal weight to all prices
EMA (Exponential Moving Average) – Heavier weight on recent price
WMA (Weighted Moving Average) – More weight on recent prices, but linear

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Pivot Points

Predict daily support/resistance. Can also show points of short term reversals.

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RSI (Relative Strength Index)

Measures a stock being overbought or oversold.
Over 70 is Overbought and Below 30 is Oversold.

Bearish Signal: Overbought (70+)
Bullish Signal: Oversold (-30)

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Stochastic

Shows momentum and potential reversals.

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VWAP (Volume weighted average price)

Shows the average price of stock weighted by volume over a specific session.

Above VWAP: Bullish bias
Below VWAP: Bearish bias

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Trading Concepts

TRADING AND CHART CONCEPTS TERMS

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Backtesting

Testing a strategy on past data.

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Day Trading

Buying and selling within one day.

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Diversification

Spreading risk across assets.

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Entry Point

Where you open and enter a trade.

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Exit Point

Where you close a trade.

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Hedging

Reducing risk by holding opposite positions.

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LEAP

Long-term Equity AnticiPation; long-term option with 1 or more years until its expiration date.

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Leverage

Borrowed money to increase position size.

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Margin

Money you must keep in your account to trade on leverage.

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Mean Reversion

Betting price will return to average.

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Overtrading

Taking too many trades unnecessarily.

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Paper Trading

Practicing trades without real money.

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Position Size

The amount or value of a trade and open position.

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Position Trading

Long-term trading based on trends. You may also commonly hear these referred to as LEAPs, trades that expire in 1 year or later.

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Risk/Reward Ratio

How much you risk vs potential gain.

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Scalping

Very short-term trading for quick profits. These kind of trades can last from 1-5 minutes.

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Stop Loss

A preset point to exit a losing trade. This is a risk management tool to prevent you from losing your entire investment.

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Swing Trading

Holding trades for days/weeks.

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Take Profit

A preset level to exit a winning trade.

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Trailing Stop

A stop-loss that moves with the price.

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Trend Following

Trading in the direction of a stock's trend.

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Risk & Psychology

TRADING RISK AND PSYCH LINGO

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Adrenaline Trading

Trading more after a massive win or win streak in hopes of making more money, which leads to overtrading and potential losses.

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Confirmation Bias

Only seeing information that supports your belief.

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Discipline

Sticking to your trading plan.

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Emotional Trading

Letting feelings guide trades instead of rules.

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Fear

Panic that leads to poor decisions.

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FOMO

“Fear of missing out” on a move.

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FUD

Fear, Uncertainty, Doubt; drives panic selling.

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Greed

Wanting more than reasonable; often leads to losses.

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Overconfidence

Believing you can’t lose.

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Patience

Waiting for the right setup and levels.

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Revenge Trading

Trading emotionally after a loss.

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Risk Aversion

Preference to avoid risk, often leading to conservative trading.

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Trading Lingo

UNCONVENTIONAL TRADIGNG SAYINGS

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Bagholder

Someone stuck holding a losing position.

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Bear Trap

Price fakes downward then reverses up.

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Bull Trap

Price fakes upward then reverses down.

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Chop

Unpredictable sideways movement with no clean trading direction.

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Dead Cat Bounce

A fake bounce before more dropping.

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Liquidity Trap

Entering a trade with no easy exit.

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Moon

Price going up fast.

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WHALE

A trader with very large capital.

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YOLO Trade

A high-risk, all-in trade.

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Orders & Execution

TERMS SEEN WHEN EXECUTING ORDERS AND TRADES

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Bracket Order

Entry + stop loss + take profit together.

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Fill or Kill

Order must be filled completely or canceled.

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GTC (Good Til Cancelled)

Order stays until filled or canceled.

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Limit Order

Buys/sells at a set price or better.

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Market Order

Buys/sells at current market price.

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OCO Order

One cancels the other; used for bracket orders.

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Partial Fill

Only part of your order is filled.

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Scalp Order

Quick in and out trade for small gain.

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Stop Limit

Combines stop and limit features.

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Stop Order

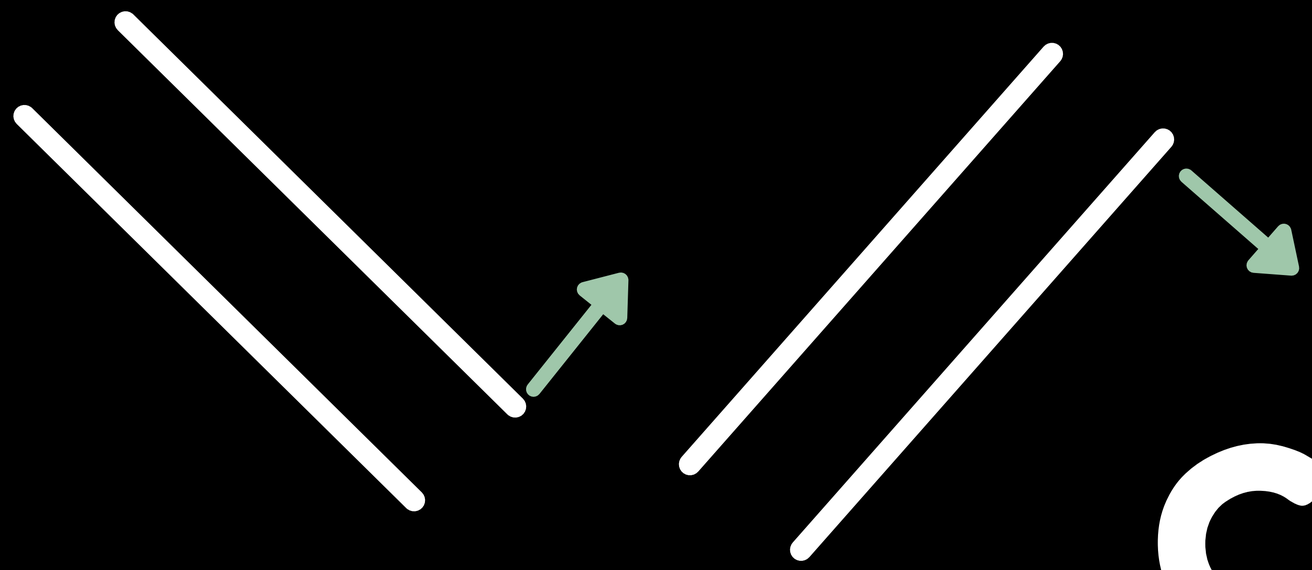
Triggers a trade when price hits a level.

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Patterns & Setups

CHART AND CANDLESTICK SETUPS

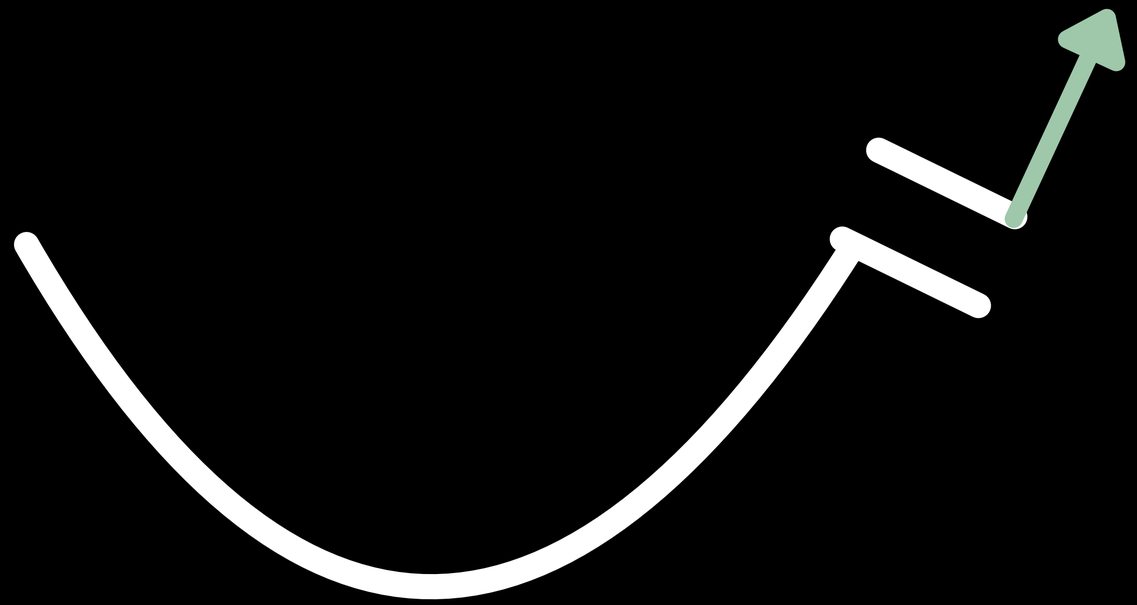
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Channel

Price moving within parallel lines.

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Cup and Handle

Bullish continuation pattern.

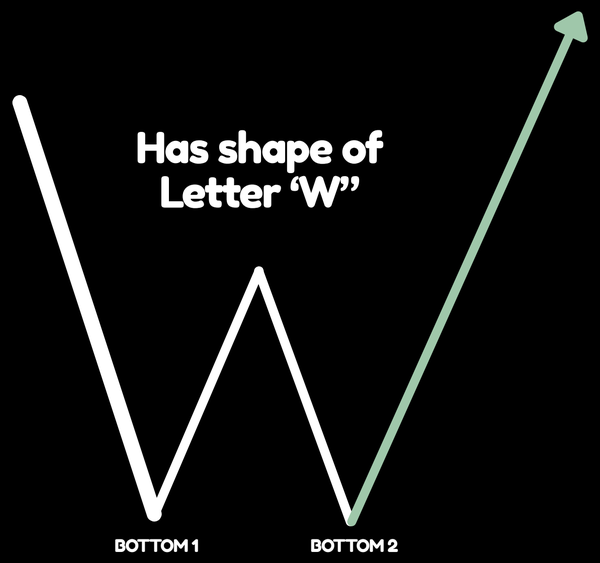
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Inverted Cup and Handle

Bearish continuation pattern.

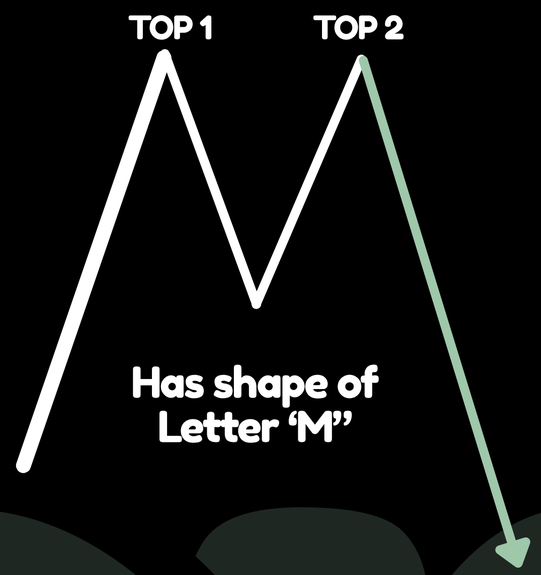
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Double Bottom

Bullish reversal pattern.

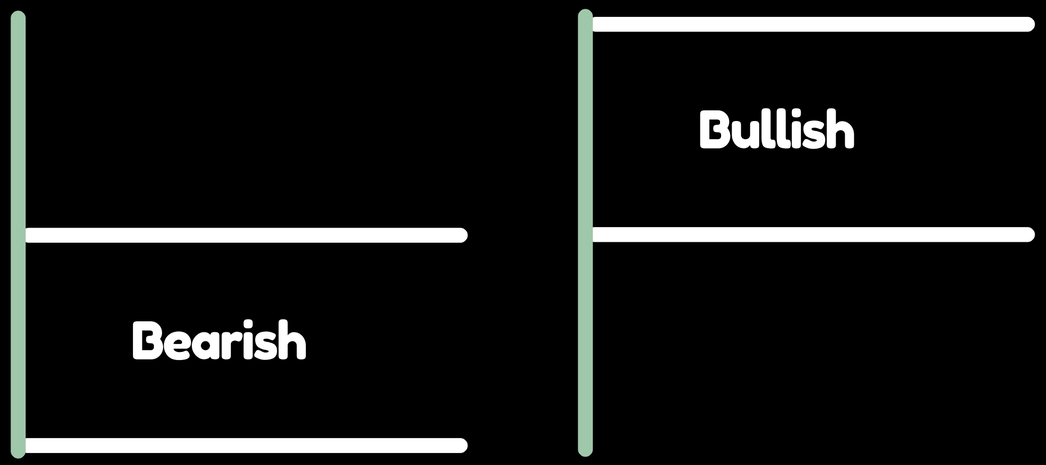
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Double Top

Bearish reversal pattern.

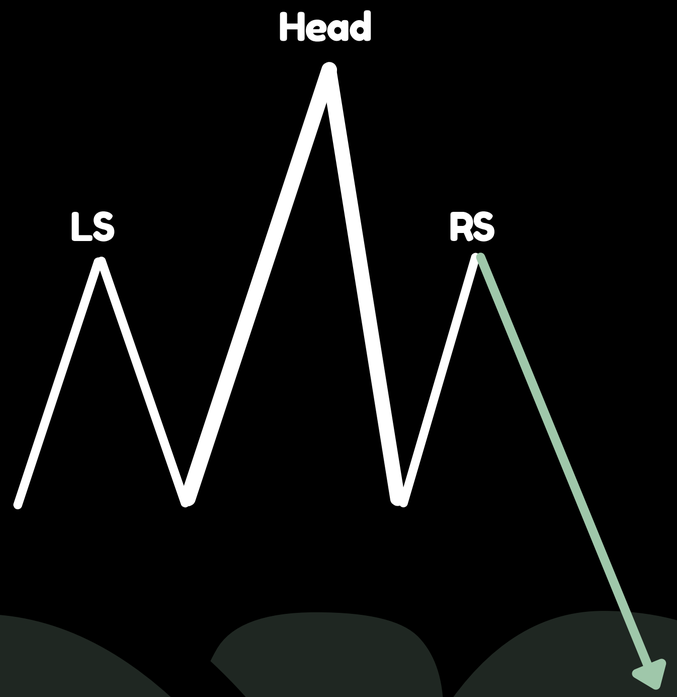
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Flag

Short-term consolidation in a trend.

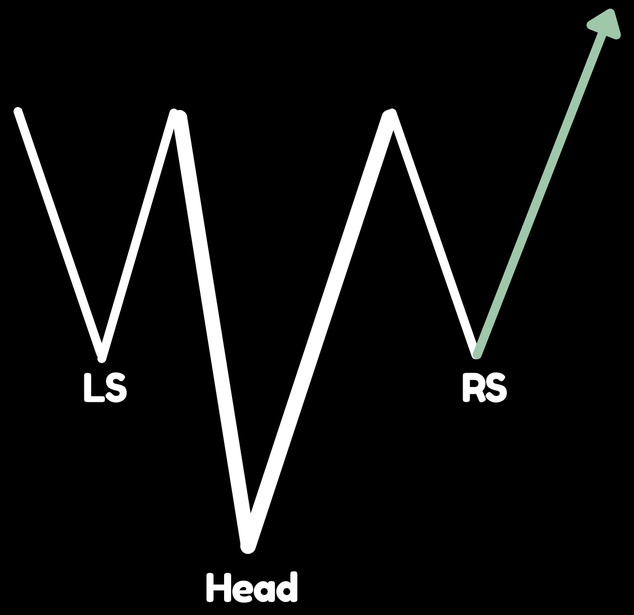
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Head and Shoulders

Bearish reversal pattern.

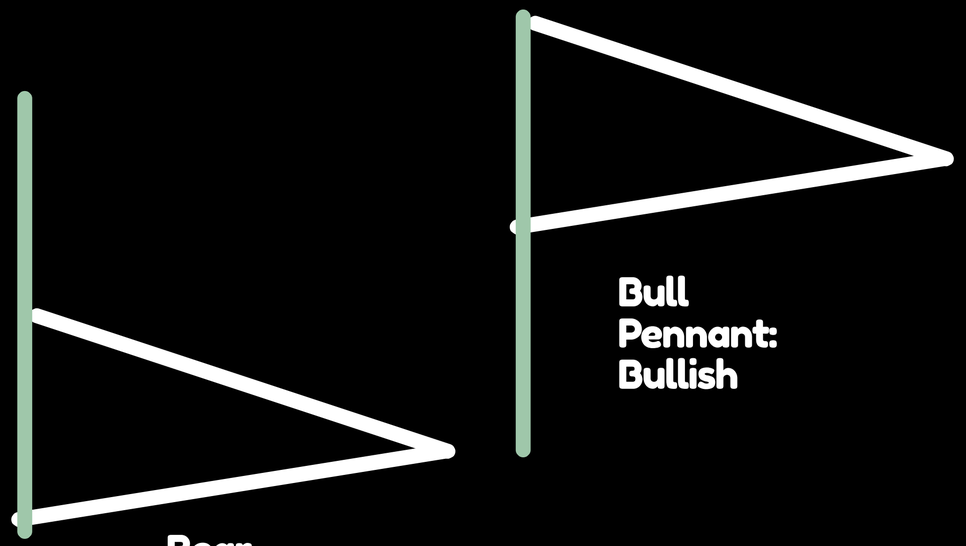
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Inverse Head and Shoulders

Bullish reversal.

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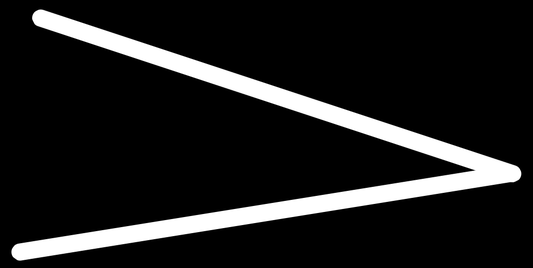
Bull
Pennant:
Bullish

Bear
Pennant:
Bearish

Pennant

Small symmetrical triangle.

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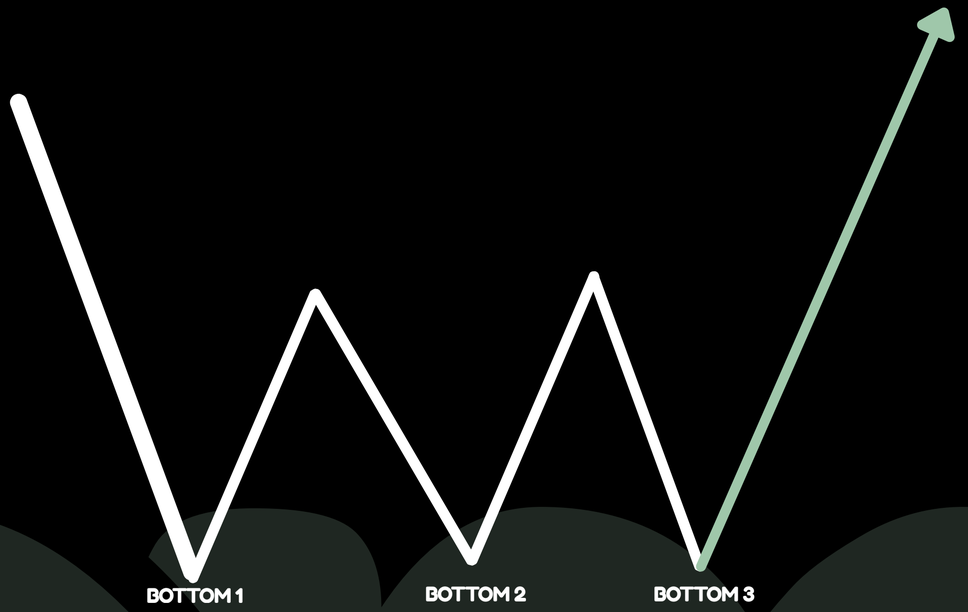


Await
breakout
in either
direction

Triangle

Consolidation that leads to breakout.

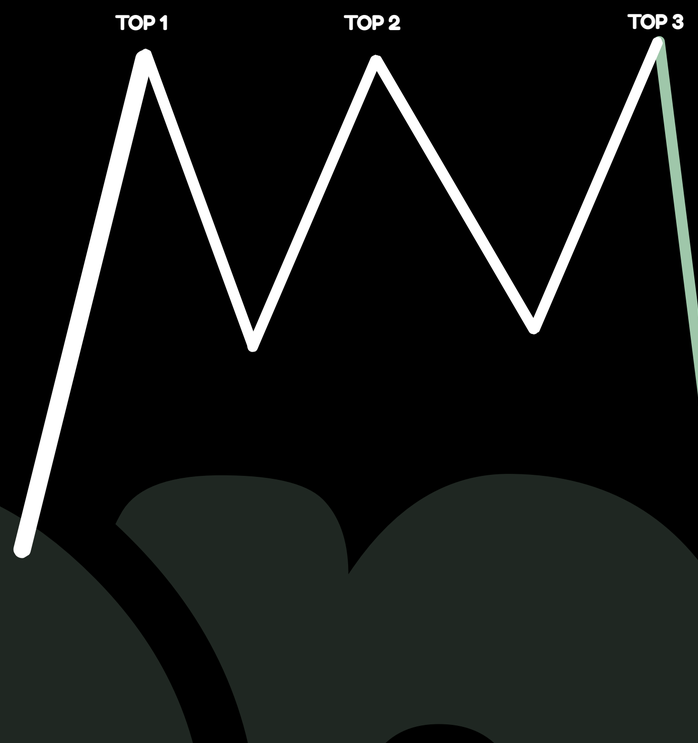
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Triple Bottom

Bullish reversal pattern.

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Triple Top

Bullish reversal pattern.

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Wedge

Narrowing range that hints at reversal.

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