

STOCK ANALYSIS GLOSSARY

Source: Select Sector SPDR website; www.sectorspdr.com

Address

The headquarters address of the company as provided in the latest 10-Q or 10-K SEC forms or newswire announcement.

Average Volume

Average volume is the total [volume](#) for the previous three months divided by the number of trading days of the previous three months. Compare this number to the daily volume to see if investor interest in the stock has increased or decreased.

Beta

Beta measures the volatility of a stock's returns relative to the S&P 500. It is based on a 36-month historical regression of the return on the stock compared to the return on the S&P 500. For example, a beta of 1.5 indicates that a stock tends to move 50% more than the S&P 500 in the same direction. So if the S&P rises 10%, the stock will rise 15%; but if the S&P falls 10%, the stock will fall 15%. Generally speaking, the higher the beta, the more risky the investment.

Cash Flow

[Net earnings](#) before [depreciation](#), amortization and non-cash charges. Sometimes called cash earnings, cash flow is calculated by adding depreciation to net earnings and subtracting preferred dividends. It is useful for determining how solvent a company is.

Chief Executive Officer (CEO)

The highest ranking executive who manages the day-to-day operations of the firm, updated according to the latest annual report or newswire announcement.

Common Equity

This is the amount of [shareholders' equity](#) attributable to common stock. Common stock equity generally consists of the following items: common stock at par value, capital surplus and retained earnings.

Current Assets

Assets that can be converted to cash within 12 months. These include cash, marketable securities, accounts receivable and [inventory](#).

Current Liabilities

Obligations that must be paid within 12 months. These include accounts payable, short-term debt and interest on [long-term debt](#).

Current Share Price

Most recent market price of the shares. Our quote feed is on a 20-minute delay.

Debt/Total Capital

This ratio indicates how much financial leverage a company has. It is calculated by dividing total debt by total invested capital. Total debt is long- and short-term debt obligations, including bonds, notes payable, mortgages, lease obligations, and industrial revenue bonds. Total invested capital is the sum of common and preferred stock equity, long term debt, deferred income taxes, investment credits, and minority interest.

Depreciation

Depreciation is a non-cash charge that represents a reduction in the value of fixed assets due to wear, age, or obsolescence. This figure also includes amortization — or expensed portion — of leased property, intangibles, goodwill, and depletion.

Directional Movement

Directional Movement is a group of measurements used to determine the presence and assess the strength of an asset price trend. A positive component index measures the degree of upward movement, and a negative component index measures the degree of negative movement. When the indexes are plotted against one another on a chart, their relative positions determine the probable near-term direction of the price.

Dividends

This is the cash payment, per share, made by the company to its shareholders every quarter. It is usually the part of profits that was not reinvested in the company. Dividends are taxed as income, not capital gains.

EBITDA

Earnings before interest, taxes, depreciation and amortization. Also known as operating cash flow. EBITDA is calculated by subtracting cost of sales and operating expenses from [revenues](#). It is a useful measure of cash flow for companies that have low earnings because of large restructuring, capital build-out or acquisition costs.

Estimated EPS Growth

The mean estimate of [earnings-per-share](#) growth (for the indicated period) as derived from all polled estimates from Wall Street analysts. This information is provided by Zacks Investment Research.

Financial Status Indicator

The Financial Status Indicator or FSI is a data element that denotes when a NASDAQ-listed issuer had failed to submit its regulatory filings on a timely basis, failed to meet NASDAQ's continuing listing standards, and/or filed for bankruptcy. Possible values for the FSI are as follows:

Code	Description
D	Deficient: Issuer failed to meet NASDAQ continued Listing Requirements
E	Delinquent: Issuer missed regulatory filing deadline
Q	Bankrupt: Issuer has filed for bankruptcy
N	Normal (Default): Issue is not currently deficient, delinquent, or bankrupt
G	Deficient and bankrupt
H	Deficient and delinquent
J	Delinquent and bankrupt
K	Deficient, delinquent and bankrupt

Forward P/E

This is calculated using the latest closing price of the stock divided by the latest earnings-per-share estimate as provided by Zacks Investment Research. In the first three quarters of a company's fiscal year we use the EPS estimate for the current fiscal year. Starting in the fourth quarter we use the next fiscal year estimate. The EPS estimate is the mean estimate of EPS growth, as derived from all polled estimates from Wall Street analysts.

Free Cash Flow

Cash not required for operations or for reinvestment. Free cash flow is calculated by subtracting capital expenditures from [cash flow](#). Capital expenditures include the purchase of new plant, property and equipment. Free cash flow can be used to pay dividends, buy back stock or pay off debt. The more the better.

Interest Coverage

This ratio measures a firm's ability to pay interest on its debt. It is calculated by dividing net earnings before interest and taxes by the interest expense on bonds and other contractual long-term debt. A low coverage ratio can indicate a company is over-leveraged. A high ratio indicates a margin of safety from default.

Inventory

The monetary value of a company's raw materials, work in process, supplies used in operations and finished goods. A company with excess inventory on its balance sheet could indicate a slow-down in sales and a lack of pricing power.

Liquidity Ratio

This ratio is a measure of how much dollar volume is required to move a stock's price up or down by one percentage point. A high ratio indicates a stock that requires relatively heavy trading to move its price. A low liquidity ratio indicates a stock that moves on relatively light volume. The ratio is calculated by adding the daily percentage changes of a stock's closing price for each trading day of the month. Then the total dollar volume for the month is divided by this total percentage change figure.

Long-Term Debt

Liabilities that are expected to be paid after 12 months from the date of the last balance sheet. A company's long-term debt could be in the form of bank debt, mortgage bonds, debenture bonds or other obligations.

MACD

The Moving Average Convergence Divergence is an indicator used to detect a trend shift in the price of a security. Typically, the MACD is expressed in a chart as a line plotting the difference between the security's 12-day and 26-day exponential moving averages, with the 9-day exponential moving average of the MACD plotted over that line. When the MACD is above the 9-day line, also called the signal line, that suggests the current trend has strength and that it may be a good time to buy. When the MACD dips underneath the signal line, it is a signal to sell. When the lines diverge significantly, it suggests the current trend is at an end.

Market Value

The total market value of a company or stock. Also called market capitalization, it is calculated by multiplying the number of shares outstanding by the latest closing price of the stock. Generally speaking, small cap stocks have market values below \$1 billion, while large-caps have values in excess of \$5 billion. Mid-cap fall in between.

Money Flow Index

The MFI is a measure of the strength of an asset price trend. The money flow for any given day is determined by multiplying an asset's typical price (the average high, low and closing price) by its volume. The money flow index is determined by dividing the sum of the money flow for days in which the typical price rises over the prior day's price by that same value plus the sum of the flow for days in which the typical price declines beneath the prior day's price and multiplying the quotient by 100. The index is measured on a scale from zero to 100.

Net Earnings

Also known as the bottom line, this is the profit a company realizes after all costs, expenses and taxes have been paid. It is calculated by subtracting business, depreciation, interest and tax costs from [revenues](#). Also called net income or net profit.

Net EPS

Net Earnings-Per-Share (EPS) is the portion of a company's net earnings allocated to each share of stock. It is calculated by dividing [net earnings](#) by common shares outstanding adjusted for the assumed conversion of all potentially dilutive securities. Securities having a dilutive effect may include convertible debentures, warrants, options and convertible preferred stock.

Net Margin

A company's profitability after all costs, expenses and taxes have been paid. The net margin is calculated by dividing [net earnings](#) by [revenues](#) and then multiplying by 100. The result is expressed as a percentage. It is used to measure operating efficiency at a company.

On-Balance Volume Index

This is the ratio of shares traded to upward price movement. It was developed to help spot stocks that have been moving higher on increasing volume — a sign that there is developing interest in the company on Wall Street. The calculation is a complicated one, but goes like this: The daily volume and price change for the latest four weeks are compared with the same data for the previous four weeks and then related to trading on days when the stock's price rose. The index will be higher for stocks that are moving up on increasing volume, and can be an indication of significant buying activity.

Operating Margin

A company's profitability before non-cash charges. The operating margin is calculated by dividing **EBITDA** (earnings before interest expense, taxes, depreciation and amortization) by revenues and then multiplying by 100. It is a measure of operating efficiency at a company."

Payout Ratio

The percent of earnings-per-share (**EPS**) that was paid out as a dividend. It is calculated by dividing the quarterly dividend by the quarterly EPS and multiplying by 100.

PEG

The PEG ratio (price-to-earnings-growth) is calculated by dividing a stock's **forward P/E** by its projected three- to five-year annual **EPS** growth rate. It is used to find companies that are trading at a discount to their projected growth. A PEG ratio of less than one is considered a sign that a stock is a good value. Generally speaking, the higher the PEG, the pricier the stock.

Pre-Tax Margin

The profitability of a company before taxes are paid. The pre-tax margin is calculated by dividing pre-tax earnings by revenues and then multiplying by 100. The result is expressed as a percentage.

Previous Close

The last trade price of a stock at the end of yesterday's trading session. This value is updated just before the opening of today's trading session.

Price/Book

The ratio of a stock's latest closing price divided by its book value per share. Book value is the **total assets** of a company minus **total liabilities**. It is also called **shareholders' equity**. To get the book-value-per-share figure, shareholders' equity is divided by total shares outstanding.

Price/Cash Flow

The ratio of a stock's latest closing price divided by **cash flow** per share for the past 12 months.

Price/Sales

The ratio of a stock's latest closing price divided by revenue per share. (Sales are the same thing as **revenues**.) Revenue per share is determined by dividing revenue for the past 12 months by the number of shares outstanding. This ratio is particularly useful for companies that have little or no earnings.

Relative Strength Index

The RSI is the ratio of daily gains to daily losses. It measures the speed and degree to which a stock price is changing. It is measured on a scale from zero to 100.

Revenues

Revenues include all net sales of the company plus any other revenues associated with the main operations of the business (or those labeled as operating revenues). It does not include dividends, interest income or non-operating income.

Return on Assets (ROA)

The rate of investment return a company earns on its assets. ROA is determined by dividing net income from the past 12 months by **total assets**. The result is shown as a percentage. Unlike **ROE**, ROA ignores a company's liabilities.

Return on Equity (ROE)

The rate of investment return a company earns on **shareholders' equity**. An indicator of profitability, ROE is determined by dividing net income from the past 12 months by shareholders' equity. This statistic shows how effectively a company is using its investors' money. Contrast with **ROA**.

Shareholders' Equity

The difference between a company's **total assets** and **total liabilities**. Sometimes call net worth or book value, shareholders equity represents the shareholders' ownership of the company. See **Price/Book ratio**.

Shares Outstanding

Shares of common stock that are currently owned by investors.

Short Interest

A technical analysis tool used in evaluating market sentiment. The short interest ratio is calculated by dividing the total shares sold short of a stock by its average daily trading volume. Shorted shares are those borrowed and sold by investors who think the same shares will be available later for repurchase at a lower price. A short interest ratio of greater than 2.0 is often considered a sign that a stock's price will soon go higher. The rationale is that the large short position must be covered in the future, thereby creating buying pressure and driving the stock price up.

Total Assets

Total [current assets](#) plus total non-current assets. Non-current assets include property, plant and equipment, and other non-current receivables and investments.

Total Liabilities

Total [current liabilities](#) plus [long-term debt](#) and deferred income taxes.

Total Return

The price change plus dividend return for a stock over the last 12 months or three years (whichever is indicated).

Trailing P/E Ratio

The ratio of a stock's latest closing price divided by earnings per share based on the last reported 12 months of earnings. Companies with negative earnings receive an "NE."

Volume

The total number of shares traded of a stock during a specific time period. (In this case, it is the latest trading day.) Unusually high volume days typically correspond with the announcement of company news, either positive or negative. In the absence of news, high volume can indicate institutional (or professional) buying and selling. See [average volume](#).

Williams %R

The Williams %R is used to put a stock's latest closing price in context of its high and low closes, typically over a 10-day period. It is calculated by subtracting the highest close of the last 10 days from the most recent close, dividing it by the difference between the highest and lowest closes over that period and multiplying the result by 100. It is measured on a scale from -100 to zero, with zero being equal to the stock's highest close over the last 10 days.

Yield

The annual rate of return on a stock as paid in dividends. Yield can be calculated by dividing the latest dividend rate by the latest closing price and multiplying by 100. The latest dividend rate is the total [dividends](#) paid in the past 12 months. As a stock's price rises, its yield will go down. As a stock's price decreases, its yield will go up.

% Owned by Institutions

The percentage of total common shares of a company held by financial institutions.

52-Week High

The highest stock price over the trailing 52 weeks. This number includes intraday trades.

52-Week Low

The lowest stock price over the trailing 52 weeks. This number includes intraday trades.

5-Year EPS Growth Rate

The five-year annualized growth rate of [earnings-per-share](#). This figure is derived by the least squares method, using six data points — a base year plus five subsequent annual data points.

5-Year Sales Growth

The five-year annualized growth rate of sales or [revenues](#). This figure is derived by the least squares method, using six data points — a base year plus five subsequent annual data points.