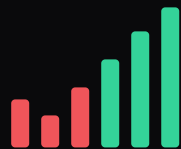


LIMA SIGNAL



The Ultimate Trading Glossary

*Every term you'll actually need — explained once,
explained clearly*

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Why Jargon Kills Beginners

Most trading content assumes you already speak the language. A YouTube video mentions "RSI divergence on the 4H," a Discord calls something "a liquidity grab," a broker's platform throws "margin call" at you with no explanation — and beginners either nod along or quietly give up.

This isn't a dictionary you read cover to cover. It's a reference: the companion to *Welcome to Trading*, built so that whenever you hit a word you don't know — in this book, in a video, in a broker's app — you have one place to check, without falling down a rabbit hole of contradictory forum answers.

Same rule as always: no upsell, no "but really understanding this term requires my course." Just the definitions, straight.

HOW IT'S ORGANIZED

Terms are grouped by where you'll actually encounter them — market structure, order types, mechanics, risk, then the two schools of analysis, crypto's own vocabulary, the psychology terms you'll hear in every trading community, and finally the slang that sounds intimidating but usually means something simple.

01 Market Basics

The vocabulary of the market itself, before you've placed a single trade.

Bid — the highest price a buyer is currently willing to pay.

Ask (Offer) — the lowest price a seller is currently willing to accept.

Spread — the gap between bid and ask; a built-in cost of every trade.

Liquidity — how easily an asset can be bought or sold without moving its price.

Volatility — how much and how fast a price moves, in either direction.

Volume — how many units of an asset changed hands in a given period.

Market maker — a firm that continuously quotes both bid and ask to keep a market liquid — not, contrary to a common myth, an entity secretly steering price against retail traders.

Slippage — the difference between the price you expected and the price you got.

Pip / Point / Tick — the smallest standard price increment in a given market (forex, futures, stocks each define this differently).

OTC (Over-the-Counter) — traded directly between parties, not on a centralized exchange.

02 Markets & Asset Classes

What you can actually trade, and how each market differs from the others.

Forex (FX) — the market for trading currency pairs against each other, e.g. EUR/USD.

Stocks (Equities) — shares representing partial ownership in a publicly traded company.

Indices — a basket of stocks tracked together as a single measure of a market or sector, e.g. the S&P 500.

Commodities — physical goods like oil, gold, or wheat, traded on their own markets.

Futures — a contract to buy or sell an asset at a set price on a future date.

Options — a contract giving the right, but not the obligation, to buy or sell an asset at a set price by a certain date.

Bonds — debt securities where a trader is effectively lending money in exchange for interest.

Cryptocurrency — digital assets that exist on a blockchain, traded 24/7 with no centralized closing bell.

Memecoin — a cryptocurrency created around an internet joke or trend rather than a stated use case, typically far more volatile and speculative than established crypto assets.

ETF (Exchange-Traded Fund) — a fund holding a basket of assets that trades on an exchange like a single stock.

03 Order Types

How you actually tell a broker what you want to happen.

Market order — buy or sell immediately at the best available price.

Limit order — buy or sell only at a specific price or better.

Stop order — triggers a market order once a price level is reached.

Stop-limit order — triggers a limit order once a price level is reached.

Stop-loss (SL) — an order intended to exit a position when price reaches a specified level, limiting the planned loss. Execution may differ from the stop price during rapid markets or gaps.

Take-profit (TP) — a predefined exit that locks in a gain.

Trailing stop — a stop-loss that moves with the price to protect gains as a trade goes your way.

Fill — confirmation that an order has been executed.

Good-till-cancelled (GTC) — an order that stays active until executed or manually cancelled.

Day order — an order that expires at the end of the trading day if not filled.

04 Trade Mechanics

The math and structure behind every position.

Long — buying, expecting the price to rise.

Short — selling first (often borrowed), expecting the price to fall.

Entry — the price at which a position is opened.

Position size — how many units of an asset a trade controls.

Leverage — borrowed exposure that magnifies both gains and losses.

Margin — the capital required to open a leveraged position.

Margin call — a broker's demand for more funds when a leveraged position moves against you.

R-multiple — reward expressed as a multiple of risk (e.g., a \$150 gain on \$50 risked is "3R").

P&L (Profit and Loss) — the actual result of a closed trade.

Drawdown — the decline from an account's peak value to a subsequent low.

05 Risk & Money Management

The terms that separate traders who survive from traders who don't.

Risk per trade — the amount of account equity you are willing to lose if a trade reaches its stop-loss. Traders use different risk limits depending on their strategy and circumstances.

Risk-to-reward ratio — the potential loss on a trade compared to the potential gain.

Position sizing — calculating how many units to trade based on risk tolerance and stop distance.

Win rate — the percentage of trades that close profitably.

Expectancy — the average amount a trader expects to win or lose per trade over time.

Edge — a statistically tested advantage that makes a strategy profitable over many trades.

Overleverage — using more borrowed exposure than an account can safely absorb.

Revenge trading — trading impulsively to immediately recover a previous loss.

Kelly Criterion — a formula for sizing bets based on edge and odds (referenced more than used precisely).

Correlation risk — the danger of multiple "different" positions actually moving together.

06 Technical Analysis

The language of price charts.

Support — a price level where buying pressure has historically stopped a decline.

Resistance — a price level where selling pressure has historically stopped a rise.

Trend — the general direction a price is moving over a given timeframe.

Breakout — price moving beyond a defined support or resistance level.

Retracement — a temporary reversal within a larger trend.

Candlestick — a chart element showing open, high, low, and close for a period.

Timeframe — the duration each price bar or candle represents.

Moving average (MA) — the average price over a set number of periods, used to smooth trend direction.

Divergence — when price and an indicator move in different directions, often signaling weakening momentum.

Confluence — multiple independent signals aligning at the same price level.

07 Chart Patterns & Indicators

The recurring shapes and tools traders watch for.

Head and shoulders — a reversal pattern signaling a trend may be ending.

Double top / double bottom — a pattern suggesting price has twice failed to break a level.

Triangle — ascending / descending / symmetrical — a consolidation pattern often preceding a breakout.

RSI — Relative Strength Index — an oscillator measuring whether an asset is overbought or oversold.

MACD — Moving Average Convergence Divergence — an indicator tracking momentum through moving average relationships.

Bollinger Bands — bands plotted around a moving average to visualize volatility.

Fibonacci retracement — horizontal levels based on Fibonacci ratios, used to anticipate pullback zones.

Volume profile — a display of trading activity at specific price levels rather than over time.

ATR — Average True Range — a measure of an asset's typical price movement, used for stop placement.

VWAP — Volume-Weighted Average Price — the average price weighted by volume, often used as a fair-value benchmark intraday.

08 Fundamental Analysis

The language of "what is this actually worth."

Earnings report — a company's periodic disclosure of financial performance.

P/E ratio — price relative to earnings; a common valuation shortcut.

Interest rate decision — a central bank's periodic ruling on benchmark rates, a major market mover.

Inflation (CPI) — the rate at which prices for goods and services rise, closely watched by traders.

GDP — a country's total economic output, a broad measure of economic health.

Central bank — the institution responsible for a country's monetary policy (e.g., the Fed, ECB).

Economic calendar — a schedule of upcoming data releases and events likely to move markets.

Supply and demand (macro) — the underlying balance driving commodity and currency prices.

Market sentiment — the collective mood or positioning of participants, bullish or bearish.

Risk-on / risk-off — broad market conditions where capital flows toward or away from riskier assets.

09 Crypto-Specific Terms

Vocabulary that barely existed a decade ago.

Blockchain — the distributed ledger technology underlying cryptocurrencies.

Wallet (hot vs. cold) — software (hot) or offline hardware (cold) used to store crypto.

Exchange custody vs. self-custody — holding funds on an exchange versus controlling your own private keys.

Gas fee — the cost to process a transaction on certain blockchains.

DeFi — Decentralized Finance — financial services built on blockchains without traditional intermediaries.

Stablecoin — a cryptocurrency designed to hold a stable value, usually pegged to a fiat currency.

Market cap — an asset's price multiplied by its circulating supply.

Altcoin — any cryptocurrency other than Bitcoin.

Whale — an individual or entity holding a very large position relative to a particular market or asset.

On-chain data — publicly visible blockchain activity used as an analysis tool.

10 Trading Psychology

The internal vocabulary — because most losses aren't technical.

FOMO — Fear of Missing Out — entering a trade impulsively because price is moving without you.

FUD — Fear, Uncertainty, Doubt — negative sentiment, often exaggerated, spreading through a community.

Tilt — a state of emotional decision-making, usually after a loss.

Discipline — consistently following a predefined plan regardless of emotion.

Confirmation bias — favoring information that supports a position already taken.

Overtrading — taking far more trades than a strategy actually calls for.

Analysis paralysis — being unable to act due to excessive or conflicting information.

Trading journal — a record of trades and reasoning, used to improve over time.

Process over outcome — judging a trade by whether the plan was followed, not just whether it won.

Burnout — the fatigue that comes from prolonged, poorly managed exposure to trading stress.

11 Slang You'll Hear

(and What It Actually Means) — community language, decoded.

"Bag holder" — someone still holding an asset well after it has dropped significantly.

"Diamond hands / paper hands" — holding through volatility versus selling at the first sign of stress.

"Rekt" — having suffered a significant loss.

"Pump and dump" — a scheme to inflate an asset's price artificially before selling into the rise.

"Ape in" — entering a position quickly, with little research.

"To the moon" — slang for an expected large price increase.

"Rug pull" — a scam where developers abandon a project after taking investor funds.

"HODL" — originally a typo for "hold," now shorthand for holding long-term regardless of volatility.

"Whale alert" — a notification of a large transaction likely to affect price.

"Paper trading" — practicing with simulated money, no real capital at risk.

How to Use This Book

This isn't meant to be memorized. Keep it nearby — on your phone, bookmarked, printed — and check it the moment a term stops you cold. Understanding the language is a small thing on its own, but it's the thing that lets everything else in *Welcome to Trading* actually click.

STAY IN THE LOOP

Follow [@limasignal](#) on X, Instagram, and TikTok for more honest, no-hype trading education, and check out the rest of the guides and indicators in our store.

Disclaimer: This glossary is provided for educational purposes only and does not constitute financial advice. Trading involves substantial risk, including the potential loss of capital. Always do your own research and consider consulting a licensed financial professional before making trading decisions.



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