

Glossary

Here we explain central terms.

A **balance sheet** summarizes a company's assets, liabilities and shareholder equity.

The **Bank of Japan (BOJ)** is the central bank of Japan.

One **basis point (bp)** equals 1/100 of a percentage point.

Bunds are issued by Germany's federal government, most frequently with a maturity of 10 years, and are the German equivalent of U.S. Treasury bonds.

The **Bureau of Economic Analysis** is a U.S. government agency which produces economic statistics that enable government and business decision makers to follow and understand the performance of the nation's economy.

Core inflation is a measure of inflation that excludes certain items that face volatile price movements, such as energy and food products.

Correlation is a statistical measure of how two securities move in relation to each other.

The **Dax** is a blue-chip stock-market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

Deflation is a sustained decrease in the general price level of goods and services.

The **deposit rate** is the rate banks receive when they make overnight deposits with the ECB.

In relation to currencies, **depreciation** refers to a loss of value against another currency over time.

Devaluation is the forced reduction of the value of a currency against other currencies.

Disinflation is a decrease in the rate of inflation.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

Duration is a measure of the sensitivity of the price of a fixed-income investment to a change in interest rates and is calculated on the basis of present value, yield, coupon, final maturity and call features.

The **ECB's main refinancing operations** or MROs are one-week liquidity-providing operations in euro which serve to steer short-term interest rates, to manage the liquidity situation and to signal the monetary policy stance in the euro area.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **Eurozone**, also called the euro area, is a monetary union of 19 of the 28 European Union (EU) member states which have adopted the euro as their common currency.

The **Federal Reserve System** or **Fed**, which serves as the U.S. central bank, was established in 1913, consisting of the Federal Reserve Board with seven members headquartered in Washington, D.C., and twelve Reserve Banks located in major cities throughout the United States.

The **federal funds rate** is the interest rate at which banks actively trade balances held at the Federal Reserve.

Through **fiscal policy**, the government attempts to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy.

Government bonds are issued by a government to support government spending, mostly in the country's domestic currency and are backed by the full faith of the government.

The **Great Depression** was the deepest and longest-lasting economic downturn in the history of the Western industrialized world.

The **gross domestic product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Headline inflation is the raw inflation figure based on the consumer price index (CPI) and not adjusted for seasonality or for the often volatile elements of food and energy prices.

Helicopter money refers to a large sum of money being directly or indirectly distributed to the public by the central bank in order to stimulate the economy.

High yield (HY) is often used as a shorthand for high-yield bonds.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.