

Glossary

Explanation of terms

Risk aversion considers the degree to which investors are willing to take on risk to meet investment objectives.

The **risk premium** is the expected return on an investment minus the return that would be earned on a risk-free investment.

Risk-on/risk-off investing describes a process where investors move to riskier potentially higher-yielding investments and then back again to investments which are perceived to have lower risk.

Risk-return profile attempt to evaluate the historical and likely future returns on assets or markets, and the degree of risk associated with them.

The **S&P 500 Index** includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Sell-off refers to the rapid disposal of assets by investors.

A **share buyback** or repurchase is a program by which a company buys back its own shares from the marketplace, reducing the number of outstanding shares.

Specific risk is risk that affects only a small number of assets, not the overall market.

The **spread** is the difference between the quoted rates of return on two different investments, usually of different credit quality.

Systemic risk is risk that could threaten a whole market or financial system.

The **U.S. Federal Reserve Board (Fed)** is the board of governors of the Federal Reserve; it implements U.S. monetary policy.

Valuation attempts to quantify the attractiveness of an asset, for example through looking a firm's stock price in relation to its earnings.

Volatility is the degree of variation of a trading-price series over time.

