Investing and Trading Cheatsheet

A quick reference guide to essential concepts, strategies, and tools for investing and trading in financial markets. Covers stocks, bonds, options, and fundamental/technical analysis.

Investment Basics

Asset Classes

Stocks	Represent ownership in a company. Higher potential returns but also higher risk.
Bonds	Debt securities issued by corporations or governments. Generally lower risk than stocks but also lower returns.
Mutual Funds	Pooled investment funds managed by professionals. Offer diversification.
ETFs (Exchange-Traded Funds)	Similar to mutual funds but trade like stocks on an exchange. Often passively managed and track an index.
Options	Contracts that give the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a specific date. High risk/high reward.
Real Estate	Investment in land and buildings. Can provide rental income and appreciation.

Risk and Return

Risk Tolerance	Your ability and willingness to lose money in your investments. Determines appropriate asset allocation.
Diversification	Spreading investments across different asset classes to reduce risk.
Time Horizon	The length of time you plan to invest. Longer time horizons allow for more risk.
Expected Return	The anticipated profit or loss on an investment. Higher returns typically come with higher risk.
Inflation	The rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling. Investment returns should outpace inflation.

Investment Strategies

Buy and Hold: Buying investments and holding them for the long term, regardless of market fluctuations.

Value Investing: Identifying undervalued companies and buying their stock.

Growth Investing: Investing in companies with high growth potential.

Income Investing: Investing in assets that generate regular income, such as bonds and dividend-paying stocks.

Trading Strategies

Technical Analysis

Trend Following	Identifying and trading in the direction of a prevailing trend.
Day Trading	Buying and selling securities within the same day, aiming to profit from small price movements. Very high risk.
Swing Trading	Holding securities for a few days or weeks to profit from short-term price swings.
Scalping	Making numerous trades throughout the day to capture very small profits on each trade.
Arbitrage	Exploiting price differences for the same asset in different markets.

Common Chart Patterns

Head and Shoulders	A bearish reversal pattern indicating a potential downtrend.
Double Top/Bottom	Reversal patterns that suggest a change in the current trend.
Triangles	Continuation patterns indicating a period of consolidation before a breakout.
Flags and Pennants	Short-term continuation patterns that occur during strong trends.

Technical Indicators

Moving Averages (MA)	Used to smooth out price data and identify trends.
Relative Strength Index (RSI)	An oscillator that measures the magnitude of recent price changes to evaluate overbought or oversold conditions.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of a security's price.
Bollinger Bands	Volatility bands placed above and below a moving average. Used to identify potential overbought or oversold conditions.

Fundamental Analysis

Financial Statements

Income Statement	Reports a company's financial performance over a period of time (revenue, expenses, profit/loss).
Balance Sheet	A snapshot of a company's assets, liabilities, and equity at a specific point in time.
Cash Flow Statement	Tracks the movement of cash both into and out of a company over a period of time (operating, investing, and financing activities).

Key Ratios

Price-to-Earnings (P/E) Ratio	Stock price divided by earnings per share. Indicates how much investors are willing to pay for each dollar of earnings.
Debt-to-Equity Ratio	Total debt divided by total equity. Measures a company's financial leverage.
Return on Equity (ROE)	Net income divided by total equity. Measures how efficiently a company is using its equity to generate profits.
Profit Margin	Net income divided by revenue. Measures a company's profitability.

Economic Indicators

GDP (Gross Domestic Product): The total value of goods and services produced in a country. Indicates economic growth.

Inflation Rate: The rate at which the general level of prices for goods and services is rising.

Unemployment Rate: The percentage of the labor force that is unemployed.

Interest Rates: The cost of borrowing money. Influenced by central banks.

Options Trading

Basic Option Types

Call Option	Gives the buyer the right, but not the obligation, to *buy* an underlying asset at a specific price (strike price) on or before a specific date (expiration date).
Put Option	Gives the buyer the right, but not the obligation, to *sell* an underlying asset at a specific price (strike price) on or before a specific date (expiration date).

Option Strategies

Covered Call	Selling a call option on a stock you already own. Generates income but limits upside potential.
Protective Put	Buying a put option on a stock you own. Protects against downside risk.
Straddle	Buying both a call and a put option with the same strike price and expiration date. Profitable if the underlying asset's price moves significantly in either direction.
Strangle	Buying a call and a put option with different strike prices and the same expiration date. Similar to a straddle but less expensive and requires a larger price movement to be profitable.

Key Option Terms

Strike Price: The price at which the underlying asset can be bought (call) or sold (put).

Expiration Date: The date on which the option contract expires.

Premium: The price paid for the option contract.

In the Money (ITM): A call option is ITM when the underlying asset's price is above the strike price. A put option is ITM when the underlying asset's price is below the strike price.

At the Money (ATM): The strike price is equal to the market price of the underlying asset.

Out of the Money (OTM): A call option is OTM when the underlying asset's price is below the strike price. A put option is OTM when the underlying asset's price is above the strike price.