What is a blue-chip stock? What is short selling? What is the CBOE Volatility Index (VIX)? What is the Relative Strength Index – RSI? What is a bull market? What is a bear market? What is a hedge fund? What is the debt ceiling? What is the Prime Interest Rate? What is the Fed Funds Rate? What is the IMF?

What is a blue-chip stock? A blue chip is stock in a corporation with a national reputation for quality, reliability, and the ability to operate profitably in good times and bad. The most popular index which follows U.S. blue chips is the Dow Jones Industrial Average. The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

What is short selling? In finance short selling (also known as shorting or going short) is the practice of selling securities or other financial instruments that are not currently owned, with the intention of subsequently repurchasing them ("covering") at a lower price.

In the event of an interim price decline, the short seller will profit, since the cost of repurchase will be less than the proceeds received upon the initial (short) sale. Conversely, the short seller will incur a loss in the event that the price of a shorted instrument should rise prior to repurchase. The potential loss on a short sale is theoretically unlimited in the event of an unlimited rise in the price of the instrument, however in practice the short seller will be required to post margin or collateral to cover losses, and any inability to do so on a timely basis would cause its broker or counterparty to liquidate the position.

What is the CBOE Volatility Index (VIX)? VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. Often referred to as the fear index or the fear gauge, it represents one measure of the market's expectation of stock market volatility over the next 30 day period.

The idea of a volatility index, and financial instruments based on such an index, was first developed and described by Prof. Menachem Brenner and Prof. Dan Galai in 1986. Professors Brenner and Galai published their research in the academic article "New Financial Instruments for Hedging Changes in Volatility," which appeared in the July/August 1989 issue of Financial Analysts Journal. In a subsequent paper, Professors Brenner and Galai proposed a formula to compute the volatility index.

Professors Brenner and Galai wrote "Our volatility index, to be named Sigma Index, would be updated frequently and used as the underlying asset for futures and options… A volatility index would play the same role as the market index play for options and futures on the index."

What is the Relative Strength Index – RSI? A technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset. It is calculated using the following formula: RSI = 100 – 100/(1 + RS*)

*Where RS = Average of x days' up closes / Average of x days' down closes.

What is a bull market? A bull market tends to be associated with increasing investor confidence, motivating investors to buy in anticipation of future price increases and future capital gains.

What is a bear market? A bear market is a steady drop in the stock market over a period of time. It is described as being accompanied by widespread pessimism. Investors anticipating further losses are often motivated to sell, with negative sentiment feeding on itself in a vicious circle.

What is a hedge fund? Hedge funds are private, actively managed investment funds. They invest in a diverse range of markets, investment instruments, and strategies and are subject to the regulatory restrictions of their country. U.S. regulations limit hedge fund participation to certain classes of accredited investors

Hedge funds are often open-ended, and allow additions or withdrawals by their investors. A hedge fund's value is calculated as a share of the fund's net asset value, meaning that increases and decreases in the value of the fund's investment assets (and fund expenses) are directly reflected in the amount an investor can later withdraw.

Most hedge fund investment strategies aim to achieve a positive return on investment regardless of whether markets are rising or falling. Hedge fund managers typically invest money of their own in the fund they manage, which serves to align their own interests with those of the investors in the fund. A hedge fund typically pays its investment manager a management fee, which is a percentage of the assets of the fund, and a performance fee if the fund's net asset value increases during the year. Some hedge funds have a net asset value of several billion dollars. As of 2009, hedge funds represented 1.1% of the total funds and assets held by financial institutions. As of April 2012, the estimated size of the global hedge fund industry was US 2.13 trillion.

What is the debt ceiling? Once a little-known aspect of the U.S. government's fiscal management process, the debt ceiling exploded into the public consciousness following the intense debate that took place in the summer of 2011. As its name would suggest, the debt limit is simply the maximum amount that the U.S. government can borrow at any given time. Currently, the limit is set at $16.394 trillion. Each year, the government spends more than it takes in, and this gap must be funded with debt, or more specifically, bonds issued by the U.S. Treasury. By law, however, the Treasury can't issue new debt once the country is at its borrowing limit – and this limit, or ceiling, needs to be agreed to by Congress.

What is the Prime Interest Rate? The Prime Interest Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis. The Prime Rate is usually adjusted at the same time and in correlation to the adjustments of the Fed Funds Rate.

What is the Fed Funds Rate? The Fed Funds Rate is a short-term rate objective of the Federal Reserve Board. The actual Fed Funds Rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight. The real rate changes daily but is usually close to the target rate desired by the Federal Reserve.

What is the IMF? The International Monetary Fund (IMF) is the intergovernmental organization that oversees the global financial system by following the macroeconomic policies of its member countries, in particular those with an impact on exchange rate and the balance of payments. Its objectives are to stabilize international exchange rates and facilitate development through the encouragement of liberalising economic policies in other countries as a condition of loans, debt relief, and aid. It also offers loans with varying levels of conditionality, mainly to poorer countries. Its headquarters are in Washington, D.C.