Falling Knives and Dead Cats and Bears - Oh My!

In this month’s financial column, we will lighten it up, take a step back, and have a little fun. Investors may come across strange and sometimes amusing investment terms. While many of these terms have deep Wall Street roots, they are sometimes used on Main Street. The goal of this article is to put some light on some of the more attention-grabbing investment expressions you may have come across. Enjoy!

* Vesting – The percentage of the matching or employer contribution in your employer sponsored retirement plan (i.e. 401k) that you are entitled to if you separate from employment.
* Coupon – Refers to the rate of interest earned on a bond investment. Originally, bonds were issued in physical certificate form and there was tear strips called “coupons” on the bottom of the certificate. The owner would then rip off the coupon each interest rate period and present it to the issuer for a check for the interest earned.
* Falling Knife – An investment that is falling rapidly in short period of time. I can be dangerous try and catch a falling knife or you might get cut.
* Bear Market – This is a market that has fallen in value 20% or more from its peak.
* Bull Market – A long-term uptrend in a market. Legendary investor, Sir John Templeton said, “Bull Markets are born on pessimism, grown on optimism and die on euphoria.”
* Liquidity – This is a reference to the ability of a security to be converted (sold) into cash. Generally money market, savings or checking accounts are considered “liquid”.
* Dead Cat Bounce – This is a sharp rebound in the value of a security which has fallen drastically in value in a short period of time.

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