Order Entry Terminology

All-or-Any Part
A stipulation of a buy or sell order for a discretionary account which instructs the broker to fill whatever part of the order he/she feels is appropriate, at the specified price

All-or-None (AON)
A condition used on a buy or sell order to instruct the broker to fill the order completely or not at all. If there is insufficient supply to meet the quantity requested by the order then it is canceled at the close of the market. This prevents partially filled orders. The difference between All-or-None and Fill-or-Kill is that the AON order is left open if the entire order quantity cannot be filled, whereas the FOK order will be cancelled.

For example, if you send an AON order to your broker requesting 200 shares at $15, the broker will not fill the order unless he or she can obtain the 200 shares at $15. This prevents investors from having orders half filled before they expire. This is contrary to a common limit order, which is commonly partially filled. For example, if 150 shares trade at $15 and then rise to $17, the 150 shares will be purchased by the investor with the limit order and the remainder will be bought when the shares fall back to $15. If the trader had an AON order then he or she will not receive any shares and will have to resubmit the order the next day to buy the 200 shares at $15.

Alternative Order
A combination order whereby two separate orders are entered on the same security. The execution of one order cancels the other.

For example, if you purchased shares of XYZ at $5, you could enter an alternative order to sell at either $2.50 or $7.50. If the order to sell at $2.50 was executed, the $7.50 order would be cancelled and vice versa. This would limit potential losses and gains, thus mimicking a collar strategy.

Ask
The price a seller is willing to accept for a security, also known as the offer price. Along with the price, the ask quote will generally also stipulate the amount of the security willing to be sold at that price.

Sometimes called "the ask".

Away From the Market
On a limit order, a buy order which is lower than the current market price, or a sell order which is higher than the current market price. These orders are held to be executed later, unless they are of the fill-or-kill type.

Bid
1. An offer made by an investor, a trader or a dealer to buy a security. The bid will stipulate both the price at which the buyer is willing to purchase the security and the quantity to be purchased.

2. The price at which a market maker is willing to buy a security. The market maker will also display an ask price, or the amount and price at which it is willing to sell.

This is the opposite of the ask, which stipulates the price a seller is willing to accept for a security and the quantity of the security to be sold at that price.

1. An example of a bid in the market would be $23.53 x 1,000, which means that an investor is willing to purchase 1,000 shares at the price of $23.53. If a seller in the market is willing to sell that amount for that price, then the transaction is completed.

2. Market makers are vital to the efficiency and liquidity of the marketplace. By quoting both bid and ask prices on the market, they always allow investors to buy or sell a security if they need to.

Bid Price

The price a buyer is willing to pay for a security. This is one part of the bid with the other being the bid size, which details the amount of shares the investor is willing to purchase at the bid price. The opposite of the bid is the ask price, which is the price a seller is looking to get for his or her shares.

The use of bid and ask is a fundamental part of the market system, as it details the exact amount that you could buy or sell at any point in time. Remember that the current price is not the price for which you can purchase the security, but the price at which the shares last traded hands. If you want to get an idea of the price for which you can buy a security, you need to look at the bid and ask prices because they will often differ from the current price.

Bid-Ask Spread

The amount by which the ask price exceeds the bid. This is essentially the difference in price between the highest price that a buyer is willing to pay for an asset and the lowest price for which a seller is willing to sell it.

For example, if the bid price is $20 and the ask price is $21 then the "bid-ask spread" is $1.

The size of the spread from one asset to another will differ mainly because of the difference in liquidity of each asset. For example, currency is considered the most liquid asset in the world and the bid-ask spread in the currency market is one of the smallest (one-hundredth of a percent). On the other hand, less liquid assets such as a small-cap stock may have spreads that are equivalent to a percent or two of the asset's value.

Bracketed Buy Order

A buy order that is accompanied by a sell limit order above the buy order's price and a sell stop order below the buy order's price. These three component orders will all be set at a price determined by the investor at the time the order is entered. This type of order allows investors to lock in profits with an upside movement and prevent a downside loss, without having to constantly follow the position.

For example, suppose that an investor places a buy order for 100 shares of ABC at $50, along with a sell limit order at $55 and a sell stop order at $45. If the price moves up to $55 or down to $45, the position will be sold. The trader will either meet a specified gain of $5 with the sell limit or suffer a loss of $5 with the stop-loss order. However, it is important to note that having a stop-loss order at $45 doesn't mean that you are guaranteed that price. This is because once triggered, the stop loss turns into a market order and will be sold at the current market price after triggering. If the stock gaps down to $40, for example, your stop loss would be triggered and your shares would be sold for around $40.

Bracketed Sell Order

A sell order on a short sale that is accompanied (or "bracketed") by a buy stop order above the entry price of the sell order and a buy limit order below the entry price of the sell order. As the three component orders are based on set prices, this type of order protects the investor from the downside but also potentially locks in a gain without the investor constantly monitoring price.

For example, say an investor enters a short position in ABC stock. To enter a bracketed sell order, he or she enters the sell order at $30 - which is the entry price - and adds a buy stop order at $35 and a buy limit order at $25. Depending on the price movement the investor will either gain $5 or set his or her maximum loss at $5.

Buy Stop Order

An order to buy a security which is entered at a price above the current offering price. It is triggered when the market price touches or goes through the buy stop price.

People using a buy stop hope to gain if momentum gains on a particular stock. If the price exceeds the price you have set, it will automatically trigger a market order.

Cancel Former Order (CFO)

An order given by an investor instructing his/her broker to cancel a previously placed order.

CFO's are typically followed by new orders placed on the same securities. For example, if you placed a limit order to sell Cory's Tequila Corporation (CTC) at $15 and then decided that you wanted to sell it at market, then you would CFO your first order and enter in a new order to sell CTC at market.

If you change your mind about an order, CFO's are important to enter because you don't want to be transacting your securities twice.

Conditional Order

A type of order that will be submitted or canceled if set criteria are met, which are defined by the trader/investor entering the order. This allows for a greater customization of the order to meet the specific needs of the investor.

For example, say an investor enters a limit order to buy shares at $45, but only once the shares have first reached $50 (confirming a breakout). The limit order at $45 will be submitted to the brokerage firm only once the shares have reached the $50 price. Conditional orders allow traders to enter into a trade without having to constantly monitor the market, allowing them to be as fast as the market.

Contingent Order

1. An order involving the simultaneous execution of two or more transactions.
2. An order whose execution depends upon the execution and/or price of another security.

These types of orders are generally placed for option strategies where two separate transactions must occur at the same time. An example is a buy-write, where an investor would buy a stock and sell a call simultaneously.

Contingency Order

An order that is executed only when certain conditions of the security being traded, or another security, have been fulfilled. Such prerequisite conditions range in scope and depth. In a simple case, a contingency order may depend on the potential purchaser's ability to sell a different security in his or her portfolio to free the funds to make the purchase. In a more complicated situation, an options contingency order's execution may depend on the share price of the options' underlying stock.

A stop-loss order can be viewed as a contingency order because it does not become a market order until the price of the stock being sold reaches a predetermined price. This type of order is very useful when applied to the sale or purchase of options.

Day-Around Order

An order that cancels and replaces a previously submitted day order, producing a new request with an adjusted volume or price limit. The term is primarily used by traders in the general equities market. As with a day order, the day-around will expire by the end of the business day.

A day-around order simplifies the cancellation and reorder process in trading by combining a cancel order form with a day order. For example, let's say that an investor submits a day order to purchase stock XYZ with a limit at $50. The investor hears some detrimental news surrounding company XYZ and wants to lower the limit on the day order. Instead of submitting a cancel order form and submitting another day order, the investor can simply submit a day-around order with a new limit price.

Day Order

Any order to buy or sell a security that automatically expires if not executed on the day the order is placed.

A day order will not be executed if the limit or stop order prices were not met during the day. A way to increase the life of an order is to order securities on a "good until canceled" basis, in which the trade will not expire until it is canceled or until it reaches a maximum time limit set by the brokerage.

Fill Or Kill (FOK)

An order to fill a transaction immediately and completely or not at all.

This type of order is usually for a large quantity of stock, and must be filled in its entirety or canceled (killed). Examples include market and limit orders requiring immediate execution. In reality, the fill-or-kill type of trade does not occur very often.

Good 'Til Canceled (GTC)

An order to buy or sell a security at a set price that is active until the investor decides to cancel it or the trade is executed. If an order does not have a good-'til-canceled instruction then the order will expire at the end of the trading day the order was placed.

In most cases, GTC orders are canceled by brokerage firms after 30-90 days. This type of order is traditionally placed at price points away from the price of the stock at the time the order is placed. For example if a stock you hold is currently $40 but you believe it will go to $50 at which point you will sell then, you can use a GTC order. Once the GTC order to sell is placed, if the price of the stock reaches $50 at any point over the next few months your shares will be sold.

Good This Month (GTM)

A limit order placed with a broker that will last until the end of the current month.

If the order is not filled before the end of the month, it will expire.

Good This Week (GTW)

A market order that is only valid in the week of its placement. If the order is not filled during the week of issue, it will be canceled. A GTW order is only active for the current week, meaning it will not last seven days from when it was placed.

The duration of the order allows the investor to set a bid or an ask in a desired time frame. For example, let's say it is currently Tuesday and news that will affect a company's stock will be released the coming Monday. If an investor wishes to buy or sell the stock anytime before the news is released, he or she may place a GTW order to buy or sell these shares before the news arrives. The order will be good until the end of Friday, but will become invalid for Monday's news release.

Good Through

An order to buy or sell a security or commodity at a certain price for a certain period of time, unless it is canceled or changed.

Good through is a type of limit order that can be set as GTW (Good-This-Week), GTM (Good-This-Month), or for any other specified period of time.

Hard Stop

A price level that, if reached, will trigger an order to sell an underlying security. Hard stops are set at a constant price and are inherently good until cancelled. A hard stop is used to protect the downside of holding an investment by always being active, and is only triggered once the price reaches the specified stop level.

A hard stop is placed in advance of an adverse move and remains active until the price of the underlying security moves beyond the stop level. Many traders will choose to set a hard stop once the price of their investment becomes profitable and will leave the order active until it reaches the price target.

Held Order

A market order that must be promptly executed so that the request is immediately filled. In most cases, the trader will be required to hit the bid for purchase orders or, in case of a sell, to take the offer.

When filling a held order, traders have very little discretion when finding a price because time is scarce. Typically, they will be forced to match the highest bid or offer the lowest selling price to facilitate a quick transaction. Held orders are used by investors who want to quickly change their exposure to a certain stock.

Immediate Or Cancel Order (IOC)

An order requiring that all or part of the order be executed immediately after it has been brought to the market. Any portions not executed immediately are automatically cancelled.

This is used for large orders where filling quickly can be difficult.

Limit Order

An order instruction which sets the highest price the client is willing to pay for a buy order, or the lowest price the client is willing to accept for a sell order. If the security reaches the price specified by the limit order, the order will be executed at the specified price or possibly better. Limit orders also allow an investor to limit the length of time an order can be outstanding before being canceled.

Limit orders typically cost more than market orders. Despite this, limit orders are beneficial because when the trade goes through, investors get the specified purchase or sell price. Limit orders are especially useful on a low-volume or highly volatile stock.

Market If Touched (MIT)

A conditional order that becomes a market order when a security reaches a specified price. When using a buy market-if-touched order, a broker will wait until the security falls to a certain level before purchasing the asset. A sell market-if-touched order will activate when the price of a security rises to the specified level.

Also referred to as a "board order".

A MIT order allows investors to purchase or sell a security at a desired value, without actively monitoring the market. This order is similar to a stop order, however, the buy and sell actions are inverse. For example, a buy MIT order looks for the price of an asset to fall, while a buy stop order activates when the market value of the security increases past a specified level.

Market Not Held Order

A market order that gives the floor trader discretion to execute the order when he/she feels it is ideal.

Market Order

An order to be executed immediately upon being entered at the best price possible.

A market order is sometimes referred to as an "unrestricted order".

A market order guarantees execution, and it often has low commissions due to the minimal work brokers need to do. Be wary of using market orders on stocks with a low average daily volume: in such market conditions the ask price can be a lot higher than the current market price (resulting in a large spread). In other words, you may end up paying a whole lot more than you originally anticipated! It is much safer to use a market order on high-volume stocks.

Market Price

A security's last reported sale price (if on an exchange) or its current bid and ask prices (if Over-the-Counter); i.e. the price as determined dynamically by buyers and sellers in an open market. Also called market value.

Not-Held Order

A market or limit order that gives the broker or floor trader both time and price discretion to attempt to get the best possible price.

A person placing a not-held order exhibits great faith that the floor trader will be able to attain a better price than the current one. Although the floor trader has price and time discretion, he or she cannot be responsible for any losses that the shareholder may suffer as a result of this type of order. Often this type of order is applied to international equities to the fact that shareholders trust the trader's judgment more than they trust their own.

Order

The instruction, by a customer to a brokerage, for the purchase or sale of a security with specific conditions.

There are several different types of orders, each offering different conditions.

Protective Stop

A strategy that aims to limit potential losses to a desired amount by using a stop-loss or stop-limit order.

For example, a trader or investor may execute a protective stop by setting a stop-loss order for 10% below what he or she paid for the stock, therefore limiting the loss to 10%.

Stop-Limit Order

An order placed with a broker that combines the features of stop order with those of a limit order. A stop-limit order will be executed at a specified price (or better) after a given stop price has been reached. Once the stop price is reached, the stop-limit order becomes a limit order to buy (or sell) at the limit price or better.

The primary benefit of a stop-limit order is that the trader has precise control over when the order should be filled. The downside, as with all limit orders, is that the trade is not guaranteed to be executed if the stock/commodity does not reach the stop price.

A stop order is an order that becomes executable once a set price has been reached and is then filled at the current market price. A limit order is one that is at a certain price or better. By combining the two orders, the investor has much greater precision in executing the trade. Because a stop order is filled at the market price after the stop price has been hit, it's possible that you could get a really bad fill in fast-moving markets.

For example, let's assume that ABC Inc. is trading at $40 and an investor wants to buy the stock once it begins to show some serious upward momentum. The investor has put in a stop-limit order to buy with the stop price at $45 and the limit price at $46. If the price of ABC Inc. moves above $45 stop price, the order is activated and turns into a limit order. As long as the order can be filled under $46 (the limit price), then the trade will be filled. If the stock gaps above $46, the order will not be filled.

Stop-Loss Order

An order placed with a broker to sell a security when it reaches a certain price. It is designed to limit an investor's loss on a security position. A stop order to sell set below the current price, mostly used for volatile stocks, so that potential losses are limited if the stock declines rapidly.

Also known as a "stop order" or "stop-market order".

In other words, setting a stop-loss order for 10% below the price you paid for the stock would limit your loss to 10%.

It's also a great idea to use a stop order before you leave for holidays or enter a situation in which you will be unable to watch your stocks for an extended period of time.

Stop Order

An order to buy or sell a security when its price surpasses a particular point, thus ensuring a greater probability of achieving a predetermined entry or exit price, limiting the investor's loss or locking in his or her profit. A stop order is not executed until the specified price has been reached or passed, at which it becomes a market order. In contrast to limit orders, buy stops are entered above the current market price; sell stops are entered below it.

Once the price surpasses the predefined entry/exit point, the stop order becomes a market order.

Also referred to as a "stop" and/or "stop-loss order".

Investors commonly use a stop order before leaving for holidays or entering a situation where they are unable to monitor their portfolio for an extended period.

Stops are not a 100% guarantee of getting the desired entry/exit points. For instance, if a stock gaps down, the trader's stop order will be triggered (or filled) at a price significantly lower than expected.

Traders who use technical analysis will place stop orders below major moving averages, trendlines, swing highs, swing lows or other key support or resistance levels.

Sweep-To-Fill Order

A type of market order in which the broker splits an order into numerous parts comprising the best prices and amounts at that price currently offered on the market for speedier order execution. It is used by traders who care more about entering the stock as quickly as possible and less about the price.

For example, if a trader wants to buy 1,000 shares as quickly as possible before the company issues an earnings report, he or she may use a sweep-to-fill order. If there were 200 shares offered at $40 from his/her broker, 300 shares at $42 from another broker, and 500 shares at $43, the order for 1,000 shares would be split up to match the share amounts available from each broker. The trader would receive an average price of $42.10 and would be able to buy the shares quickly.

Time-Of-Day Order

An order to buy or sell an asset that is placed at a specific time period during a trading session. A time-of-day order enters the market at a predetermined minute and remains good until canceled, unless otherwise specified.

Time-of-day orders allow investors to enter the market at very specific time intervals. An investor looking to place an order immediately following a press conference or news release can use a time-of-day order to be executed the minute following the event. For example, a time-of-day order may be placed to sell 100 shares of Microsoft on July 15, at 1:15pm.

Trailing Stop Loss

A complex stop-loss order in which the stop loss price is set at some fixed percentage below the market price. If the market price rises, the stop loss price rises proportionately, but if the stock price falls, the stop loss price doesn't change. This technique allows an investor to set a limit on the maximum possible loss without setting a limit on the maximum possible gain, and without requiring paying attention to the investment on an ongoing basis.

A stop-loss order set at a percentage level below the market price - for a long position. The price is adjusted as the price fluctuates.

This is such a useful tool, yet many fail to use it. Using a trailing stop allows you to let profits run while cutting losses at the same time.