Glossary

A	
Accumulation	Reinvestment of income from securities (interest, dividends, bonuses, etc.) in securities.
Adjustable peg	A largely fixed exchange-rate regime, in which a local currency is pegged to an anchor currency but can be revalued/devalued at irregular, but pre-announced, intervals. (See also Crawling peg, Devaluation, Revaluation, Exchange-rate regime)
Alpha	Alpha is the extent to which a fund has outperformed or underperformed its benchmark.
American Eagle silver coin	The American Silver Eagle has been minted since 1986 and ranks among the most frequently traded silver coins in the world. Its purity, weight and fineness are guaranteed by the US government. The Silver Eagle weighs one ounce and is thus the United States' largest and heaviest silver coin. It has a nominal value of one US dollar and is legal tender in the United States. Its design remains unchanged year after year and is based on Adolph A. Weinman's "Walking Liberty" design and on John Mercanti's "Heraldic Eagle". The obverse of the American Silver Eagle is inscribed with the word "Liberty", the phrase "In God We Trust" and the respective year of minting. The reverse is inscribed with the phrase "United States of America 1 Oz. Fine Silver - One Dollar" in a circle. The edge of the coin is marked with 201 indentations and minted without inscription. The American Eagle is produced annually depending on demand.
Amsterdam Treaty	The Amsterdam Treaty (officially the Treaty of Amsterdam) was signed by the heads of state and government of the member states of the European Union at the EU summit held in the capital of the Netherlands, Amsterdam, on 2 October 1997. It amended the 1992 Maastricht Treaty. (See also European Council, European Union, Maastricht Treaty)
ARA	Amsterdam-Rotterdam-Antwerp, the major European ports for oil products and coal.
Arbitrage	Arbitrage describes the exploitation of price differences of identical goods or financial instruments between different markets. With securities, arbitrage profits can be realized when the same security is traded at different prices on two different markets and the arbitrageur buys it on the cheaper market and ideally resells it simultaneously on the more expensive market. This makes arbitrage transactions not only largely risk-free, but also leads to price adjustments in different markets.
Asset-backed commercial paper	Asset-backed commercial paper (ABCP) refers to debt instruments that have maturities of typically 3-9 months, which are collateralized by loan receivables. Like asset-backed securities, they are issued by special-purpose vehicles (SPVs) that have purchased the receivables from banks with a view to pooling and reselling them as asset-backed short-term bonds. (See also Asset-backed security)
Asset-backed security	Asset-backed securities (ABS or securitization) are interest-bearing bonds that have been collateralized by loan receivables (frequently diversified portfolios consisting of mortgage or auto loans) and issued by special-purpose vehicles (SPVs). Interest payments and redemptions on asset-backed securities depend on the payment flows from a securitized loan portfolio. In addition, the bonds are structured, i.e. the default risks of the underlying loan portfolio are distributed differently among bond holders in accordance with the capital structure, which is defined in advance. (See also Bonds)
Asset Purchase Program (APP)	The Asset Purchase Program (APP) was adopted in early 2015. The APP is also known as "quantitative easing". This is the purchase of debt instruments by the central bank for monetary policy purposes with the aim of pushing down the level of market interest rates. It initially consisted of three components: the Covered Bond Purchase Program (CBPP 3, starting October 2014), the Asset Backed Securities Purchase Program (ABSPP, starting November 2014) and the Public Sector Securities Purchase Program (PSPP, starting March 2015). In June 2016, the Corporate Sector Purchase Program (CSPP) was added as a further component.
B	
Backloading	Backloading is defined as the temporary withholding of emission allowances scheduled to be auctioned off in the EU Emissions Trading System (ETS), with the volumes withheld placed on the market at a later date. The relevant amendment to the Auctioning Regulation was approved by the representatives of the EU member states on the Climate Committee of the EU Commission on 8 January 2013. A total volume of 900 million emission allowances are to be withheld in the period from 2014 to 2016 and auctioned off in 2019 and 2020. This temporary reduction in supply is due to the high surplus of emission allowances accumulated since the second trading period started in 2008. (See also EU Emissions trading system, EU emission allowance)
Bad bank	A bad bank is a special-purpose vehicle established for the resolution of non-performing securities or loans. Subject to compliance with certain requirements, a weak bank can thus transfer high-risk securities and loans to a bad bank in an effort to clear its own balance sheet and enhance its ability to lend money.
BaFin	The Federal Financial Supervisory Authority *(*Bundesanstalt für Finanzaufsicht, BaFin) has been the single state supervisory authority for banks, financial-service providers, insurance companies and securities trading in Germany since its establishment in May of 2002. BaFin is responsible for ensuring the proper functioning, stability and integrity of the German financial system. Together with the Deutsche Bundesbank, it has been tasked with banking supervision and microprudential monitoring. In November 2014, the European Central Bank (ECB) assumed direct supervision of large euro-area banks with total assets in excess of EUR 30bn or that account for 20% or more of a country's economic performance. (See also Banking supervision, Deutsche Bundesbank, European Central Bank, Macroprudential supervision)
Bail-in	A bail-in is a situation in which the losses incurred by an institution in financial difficulty are imposed on creditors (i.e. investors). For example, if a sovereign is unable to repay its debts due to financial difficulties, creditors are forced to partially waive their claims in a bail-in regime, with losses allocated on the basis of an agreed upon scale. (See also Bail-out, No-bail-out)
Bail-out	A bail-out is a measure undertaken to rescue an insolvent institution through debt transfer or provision of new loans by third parties (especially the government). (See also Bail-in, No-bail-out)

Balance of payments	The balance of payments shows all economic transactions between a given economy and the rest of the world for a certain period of time, The transactions are classified into the following accounts: **1.** the current account comprises the international exchange of goods (exports and imports), services, income earned from employment and investments and current transfers; **2.** the capital account includes transactions involving investment in securities, foreign direct investment, financial derivatives or changes in foreign-currency reserves; **3.** the asset transfer account records international asset transfers (e.g. debt relief) and the trade in non-produced, non-financial assets (e.g. patents); **4.** net errors and omissions, a balancing item, which shows the sum of transactions not classified statistically. (See also Foreign direct investment [FDI], Derivatives, Current account)
Balance of trade (BOT)	The difference between a country's exports and its imports. A country has a trade surplus (deficit) when it exports (imports) more than it imports (exports).
Balance-sheet channel	The balance-sheet channel describes the transmission of monetary-policy measures to the balance sheets of non-banks. Central banks' interest-rate hikes, for instance, lead to falling prices on stock and bond markets due to decreasing demand for equities and fixed-income securities, reducing the value of loan collateral and, by extension, balance sheet net worth. This, in turn, limits the ability of enterprises and households to obtain loans. (See also Shares [stocks], Bonds, Credit channel, Transmission mechanism)
Bank for International Settlements	Established in 1930, the Bank for International Settlements (BIS) is an organization owned by central banks or comparable institutions. It serves as the central bank of central banks, as a forum and coordination platform for the latter and carries out its own analyses. Its prime responsibilities include the management of currency reserves and the fostering of cooperation in far-reaching policy, such as defining uniform international standards for banking supervision on the Basel Committee (e.g. Basel II). (See also Basel II, Foreign currency reserves, Central bank)
Bank lending channel	The bank lending channel indicates the manner in which monetary action impacts banks' lending behavior. In an environment characterized by a restrictive monetary policy (tightening cycle), interest-rate hikes would not be passed on to borrowers as banks fear that higher rates might increase companies' borrowing costs to an extent that makes it impossible for them to service their liabilities. In addition, the probability of default increases, not only due to higher borrowing costs but also because rising interest rates make borrowers more likely to invest in risky projects and to conceal this from creditors. This means that banks either refrain from raising interest rates because they think that the increase in default risk associated with higher interest rates exceeds the rise in interest income or refuse to extend loans at all for fear of high default rates due to incomplete information on the risk exposure of borrowers. This can lead to selective lending at the expense of specific borrowers such as households and small enterprises that have no access to funding other than bank loans. This could ultimately lead to a credit crunch. (See also Credit channel, Credit crunch, Liquidity, Transmission mechanism)
Bank Lending Survey (BLS)	The ECB's Bank Lending Survey (BLS) has been carried out quarterly by the Eurosystem among selected banks since January 2003. It primarily serves the purpose of conducting monetary analysis, which aims to collect information on the role of the credit channel in the monetary transmission mechanism. The questionnaire typically contains questions on credit terms and conditions on loans, and on enterprises' and private households' demand for credit. (See also Monetary policy, Credit channel, Transmission mechanism)
Bank run	A bank run occurs when large numbers of investors simultaneously try to withdraw their deposits as quickly as possible. Such a situation is triggered by a sudden loss of trust on the part of depositors in the security of their investment or by fear of a bank failure. Since banks hold most of their funds in long-term investments, they are unable to satisfy the unusual spike in demand for cash that occurs during a bank run. Thanks to central banks and deposit insurance systems, this scenario is no longer of any real relevance today. (See also Deposit insurance system, Lender of last resort, Central bank)
Banking supervision	An authority responsible for banking supervision is tasked with monitoring credit institutions and, hence, with guaranteeing that all business activities are performed prudently and in compliance with applicable regulations.
Barrel	A barrel (bbl) is a US volume unit for crude oil and petroleum products. One barrel is defined as 158.987 liters of crude oil.
Base load	The base load is the minimum level of demand that has to be covered by an electricity grid over 24 hours. Since a grid's respective base load is subject to seasonal fluctuations and depends on the service area, it can vary tremendously, depending on space and time. To produce the base load required, so-called "base load power plants" (nuclear power plants, brown coal power stations, run-of-the-river power plants, wind farms) operate continuously. Since demand for electricity can surge during peak times, additional peaking plants (pumped storage power plants and gas-turbine power plants) must be added to the grid. (See also Peak load)
Basel II	On 1 January 2007, the Basel I capital adequacy standards set by the Basel Committee on Banking Supervision, which had been in effect since 1988, were replaced by Basel II. This framework is based on three pillars: minimum capital requirements, supervisory review and market discipline. The minimum capital requirements deal with both the maintenance of minimum regulatory capital at banks and with the measurement of potential risks in equity capital. To this end, all exposures in a bank's credit, investment and trading business are recorded and weighted. The pillar supervisory review involves the analysis and evaluation of banks' internal risk categorization and capital adequacy assessment by the supervisory authorities. The last pillar, market discipline, defines the requirements for banks' risk management and disclosure obligations. Virtually all banks operating/headquartered in the European Union have been subject to this framework since 2008, which is gradually being replaced by the Basel III regulations (since 2010). (See also Banking supervision, Basel III, European Union)
Basel III	Following the 2008/09 financial crisis, the existing banking regulation framework, Basel II, was amended and adopted by the Basel Committee on Banking Supervision as the Basel III framework in 2010. In addition to the introduction of more stringent capital-adequacy requirements in terms of capital quality, Basel III also focuses on more rigorous standards for banks' liquidity requirements and minimum debt/equity ratios. Qualitative and quantitative improvements in capital adequacy and rules on counter-cyclical buffers aim to enhance the banks' ability to bear potential losses, e.g. from loan defaults. (See also Banking supervision, Financial stability, Macroprudential supervision)
Basis point	A basis point is a unit of measure for interest rates. 100 basis points are equal to one percent.
Basket warrant	A family of options whose underlying is not a single security but an equity basket containing shares of various companies. (See also Shares [stocks])
Bearish	Expectations of falling prices on the part of investors. Its opposite is bullish. (See also Bullish)

Bear Steepening	Widening of the yield curve involving a more pronounced increase in interest rates on bonds with longer maturities than those on bonds with shorter maturities.
Beta	Beta is a key figure for the systematic risk (market risk) assumed with an investment or financing measure.
Big Three	The major iron-ore producers Vale, Rio Tinto and BHP Billiton.
Blue chip	A term used to describe internationally renowned companies with a high market capitalization.
Board of governors	The board of governors is a key governing body in the central bank system of the United States. Located in Washington, D.C., and consisting of seven members who are all nominated by the president and confirmed by the Senate, the Board of Governors is responsible for implementing the nation's monetary policy, conducting national and international macroeconomic analysis, supervising and regulating banking institutions and maintaining the operation of the nation's payment system. (See also Federal Open Market Committee, Monetary policy, Central bank)
Bollinger bands	John Bollinger optimized the basic idea of the envelope (bands used to ensure timely replication of price movements as accurately as possible with two bands in a variable channel). Bollinger used the statistical measure known as a standard deviation. He shifted a simple moving average by two standard deviations. This resulted in a variable band that expands or contracts depending on the volatility of the security.
Bond market	The bond market (also known as the fixed-interest market) is a segment of the capital market where bonds – i.e. fixed-income debt securities – are traded. After a bond has been issued on the primary market, its current market price on the secondary market (the bond price) is determined by supply and demand. (See also Bonds, Capital market, Primary market, Secondary market)
Bonds	Bonds are long-term debt instruments that yield a fixed interest rate (coupon).. Bonds are frequently traded on exchanges with official listings. The currency selected for a bond is called the denomination. (See also Denomination, Currency, Inflation-linked bonds and Corporate bonds)
Book money	Book money (deposit money, bank money) refers to amounts available for payment purposes on accounts at credit institutions. It comprises sight deposits and funds made available for lending (e.g. overdrafts) but does not include savings deposits.
Boom	In a standard economic business cycle, the term boom describes a period of buoyant economic activity, during which economic capacities are fully utilized due to extremely high demand. Boom phases are characterized by full employment and rising prices of goods, labor (wages) and capital (interest rates). Once markets become saturated due to increased output or enterprises' and households' loan demand is curbed by higher interest rates, an economic downturn (recession) follows. (See also Business cycle, Recession)
BRC	British Retail Consortium. Trade association of British retailers with headquarters in London
Brent crude oil	Brent crude is the type of crude oil that is traded most actively in Europe. The price of Brent crude oil has become a benchmark for the oil market. Brent crude oil is categorized as "light" (low density) and "sweet" (low level of sulphur) and is thus particularly suited for the production of gasoline, diesel, kerosene or heating oil. Brent crude oil is traded on various commodity futures exchanges, including the New York Mercantile Exchange (NYMEX), the Intercontinental Exchange (ICE) in London and the Tokyo Commodity Exchange (TOCOM). (See also New York Mercantile Exchange [NYMEX])
Bretton Woods Conference	In July 1944, the decision to regulate the international monetary and financial order was taken at the United Nations Monetary and Financial Conference in Bretton Woods, New Hampshire, United States. Apart from an agreement on the establishment of the International Monetary Fund and the World Bank, the 44 participating nations agreed on the introduction of a system of fixed exchange rates with the gold dollar as the reserve currency – the gold dollar standard pegged the value of the US dollar to the gold price. This led to a situation in which the Fed was obliged to redeem all circulating dollars in gold at a fixed price. These agreements took effect in 1946. The system of fixed exchange rates based on the gold dollar standard ended in 1973. (See also International Monetary Fund [IMF], World Bank, Fixed exchange rate, Gold standard)
BTP (Buoni del Tesoro Poliennali)	Italian government bonds (Buoni del Tesoro Poliennali) with maturities of three, five, ten, fifteen and thirty years.
Budget deficit	A budget deficit is a gap in a government budget that has to be closed with borrowings. Deficits occur when the planned or actual expenses in the budget plan or budget account, respectively, (excluding debt redemption expenditure) exceed the planned or actual revenues from levies (taxes, fees, contributions) and earned income. The deficit becomes meaningful when put in relation to gross domestic product. This ratio shows the level of annual new borrowing in terms of economic performance in the year in question. The treaty establishing the European Community set a debt ceiling that countries must comply with if they wish to participate in the monetary union, citing the view of long-term debt sustainability as a reason for this approach. (See also Gross domestic product [GDP], Deficit criterion, Fiscal criteria, Monetary union)
Bullish	A word describing investors who expect rising prices. Opposite: bearish (See also Bearish)
Bundesanleihe	The Bundesanleihe (also Bund) is a long-term debt instrument issued by the Federal Republic of Germany as a government bond since 1952. Like other German federal securities (e.g. Bundesschatzbriefe), Bundesanleihen allow the German government to cover its borrowing requirements. Potential issues usually have a maturity of 10 to 30 years and fixed nominal interest rates. (See also Bundesschatzbriefe, Issue, Nominal interest rate)
Bundesschatzbrief	Bundesschatzbriefe are securities issued by the Federal Republic of Germany that were designed specifically as an investment vehicle for private investors. In contrast to *Bundesanleihen*, they feature shorter maturities of six (type A) and seven (type B) years and annual interest step-ups. Type A pays out the interest at the end of each year, while type B accrues interest and does not distribute it until maturity. For cost reasons, no Bundesschatzbriefe have been issued since 2013. (See also Bundesanleihe)
Bureau of Labor Statistics (BLS)	As a research agency within the US Department of Labor, the Bureau of Labor Statistics is responsible for the collection of data, mainly on employment, unemployment, average hourly wages and consumer prices.
Business cycle	The business cycle describes the regularly recurring fluctuations – expansion and contraction – in economic activity an economy experiences over a period of time. Numerous indicators are used to measure economic activity. Alongside production, hours worked or employment, gross domestic product is a frequently used indicator. (See Boom, Gross domestic product [GDP], Depression, Expansion, Contraction)

Business cycle policy	The term business cycle policy is used to describe all economic-policy measures undertaken by a government to smooth out economic fluctuations. Such measures are mainly based on the insights gained by John Maynard Keynes (†1946). In Germany, for instance, they are embedded in the 1967 Act to Promote Economic Stability and Growth (Stabilitätsgesetz). In the wake of the recent financial and economic crises, extensive economic-support measures have been launched around the world. (See also Business cycle)
C	
Call on OPEC	The call on the Organization of the Petroleum Exporting Countries (OPEC) can basically be defined as the supply gap between global demand for crude oil and the supply of non-OPEC countries (+/- change in oil stocks). With non-OPEC countries acting as price takers in the crude-oil market, and thus tending to produce at full capacity, OPEC's price-setting power increases when global demand goes up or non-OPEC countries' output decreases, leading to an increase in supply that can be covered by OPEC countries – the call on OPEC. (See also Organization of the Petroleum Exporting Countries [OPEC])
Capital control	Capital controls restrict the international movement of capital and are often used as protective measures against strong exchange-rate fluctuations. Well-known examples of such controls are taxes on capital imports or capital exports, the imposition of volume restrictions or the obligation to obtain authorization for local-currency trading. (See also Foreign exchange)
Capital increase (ordinary)	New shares are issued at an issue price determined by a stock corporation, with existing shareholders entitled to buy new shares against payment of the issue price to retain their previous position of ownership in the stock corporation (subscription right). (See also Shares [stocks], Issue)
Capital market	The capital market is a market for long-term payment claims. The regulated capital market is of particular importance: it mainly facilitates exchange trading but also intermediates supply and demand by banks. The capital market includes the stock market, the bond market and the futures market. The introduction of the euro created the largest capital market in the world, after that of the United States, through integration of the national markets of the countries participating in the European Economic and Monetary Union. (See also Stock market, Economic and Monetary Union [EMU], Financial market, Bond market)
Carry trade	Carry trades are speculative financial transactions in which investors take out low-interest loans in order to reinvest the funds raised in higher-yielding investments. As such, these transactions are frequently carried out in a number of different currencies. They are also known as "currency carry trades". Risks for such investments arise from interest-rate changes and exchange-rate fluctuations. (See also Exchange rate)
CDX	CDX is the name of a family of credit default swap indices covering North and South America. The indices are intended to represent the development of the corresponding credit derivative markets. Depending on the sub-index, different segments of the CDS market are covered. The CDX.NA.IG refers to North American financial and non-financial companies with investment grade ratings. The CDX.NA.HY refers to companies in the sub-investment grade range.
Central bank	A central bank is an institution established by the government, which has the right to issue currency. Apart from supplying the economy with money, a central bank's tasks include facilitating payment transactions, regulating the money supply in accordance with the economy's requirements and safeguarding the stability of the intrinsic and extrinsic value of money. The central bank of the countries participating in the EMU is the European Central Bank (ECB). The ECB's prime objective is to maintain price stability. (See also Monetary union, European Central Bank, Deutsche Bundesbank, Price stability)
Central-bank intervention	Central-bank intervention is the purchase or sale of local or foreign currencies by a central bank with the intention to influence market conditions or exchange-rate movements. (See also Exchange rate, Central bank)
Central bank money	Central bank money can only be created by a central bank. It comprises both the coins and banknotes in a currency area and the deposits held by commercial banks at the central bank, which are called reserves. (See also Central bank)
CER	Certified Emission Reduction is a type of emissions unit traded under the United Nations' Clear Development Mechanism (CDM).
CFR Qingdao	Cost and freight is a trade term used in cargo shipping. It stipulates that the seller has to arrange for the carriage of goods by sea to a port of destination (in this case Qingdao, China). CFR Qingdao is the delivery point to which the MB Iron Ore Index is normalized.
Clean dark spread	Refers to the difference between the price of 1MWh of electricity and the cost of the amount of coal and carbon required to generate 1MWh of electricity.
CNIA	China Nonferrous Metals Industry Association.
Collateralized debt obligation (CDO)	Collateralized debt obligations (CDO) are structured bonds that belong to the group of asset-backed securities and securitize a large number of loan receivables, especially those arising from private and commercial mortgages. These securities are pooled by the issuer into several classes based on credit quality. These classes are called tranches. Thanks to pooling, even tranches consisting of receivables of modest quality can be characterized by relatively low default risk. (See also Credit quality, Asset-backed securities)
Commodity Futures Trading Commission (CFTC)	The Commodity Futures Trading Commission (CFTC) is an independent agency of the US government headquartered in Washington, D.C. Established in 1974, the CFTC is tasked with protecting trading counterparties and the public from manipulations, abusive practices, fraud and systemic risks that might arise from derivatives. Its goal is to foster open, transparent and financially sound markets. (See also Futures, Options)
Common stock	An equity stake in an entity that grants its holder the shareholder rights stipulated in stock corporation law, especially the right to vote at the annual general meeting. (See also Shares [stocks])

Comparative advantage	A comparative advantage is a situation in which an individual, business or country can produce goods at a lower opportunity cost than other contractual partners. In foreign trade, this cost advantage is based on the fact that a country has, in the production of a certain good, to forfeit fewer units of another good than another country (lower opportunity costs). Accordingly, the cost advantage is based more on relative, rather than on absolute, production costs, and a country should specialize in the production of those goods for which it has a comparative advantage – even if it has an absolute advantage in the production of all goods – and should import those goods that it produces less efficiently. (See also Opportunity cost)
Competitiveness	Competitiveness is the position an enterprise, industry or economy holds in competition on national and international markets. Price competitiveness is reflected in low export prices by international standards. An example of an economic-policy measure taken to boost international competitiveness is the devaluation of a country's domestic currency, which makes exports cheaper. The individual member states of the euro area can no longer resort to currency devaluation, however, as the adoption of the euro has resulted in a uniform exchange rate for the entire EMU. To boost their competitiveness, they have to lower production costs or improve their competitiveness in areas other than price, through product innovation, quality improvements, etc. (See also Economic and Monetary Union [EMU], Currency devaluation)
Consumer price index (CPI)	Consumer price indices are used to measure the cost of living in an economy. To this end, a representative pattern of household consumption is identified by measuring the price in a sample of goods and services known as a basket. This basket contains subsets of all goods and services acquired, used or paid for by the average household in an economy. It includes items for daily use (e.g. food, beverages, clothing, hygiene products, rent), consumer durables (e.g. cars and furniture) and services (e.g. restaurants, hotels, insurance). As spending patterns change over time, the components of the basket are also updated and adjusted to households' spending habits. This is typically done every five years. To monitor the change in the cost of living over time, the German Federal Statistical Office (Statistisches Bundesamt) calculates the prices of the individual goods and services contained in the basket and expresses them as an index number, which currently refers to the 2005 base year. At the level of the European Union, a Harmonized Index of Consumer Prices (HICP) is calculated. This serves as an important indicator, which is used to measure and compare European inflation rates. (See also Harmonized Index of Consumer Prices [HICP], Inflation)
Contingent convertibles bonds (CoCos)	Contingent convertible bonds are convertible bonds marked by an automatized conversion of debt to a share of common stock. The conversion is triggered by a pre-defined event and effectuated at a pre-defined conversion rate of debt to equity. The trigger can refer to bank internal criteria, to market criteria or a combination of both. Both, trigger and conversion rate, are crucial for the effectiveness of the instrument. If CoCos are effectively designed, they can help to prevent the collapse of a bank by a quick recapitalization and reduction of liabilities.
Convergence criteria	Convergence criteria, also known as the Maastricht criteria, are a set of conditions that must be met to enter the third stage of EMU (adoption of the euro). They are stipulated in the Maastricht Treaty. The aim of the convergence criteria is to verify whether a sound basis for a stable euro exists in the countries wishing to join the euro area, i.e. whether they are suitable to participate in a common monetary and currency policy. Relevant criteria include price stability, a government's budgetary situation, exchange rates and long-term interest rates. (See also Economic and Monetary Union [EMU], Monetary policy, Maastricht criteria, Maastricht Treaty, Currency policy)
Core	Government bonds of Germany, Finland, Netherlands and Austria
Corporate bonds	Corporate bonds are debt instruments issued by a corporation. Many of these bonds feature higher coupons than government bonds. This is because the credit quality of companies is typically lower than those of sovereigns. The corporate bond segment consists of a wide variety of different bond types. (See also Zero-coupon bond and floating-rate note [FRN])
Corporate Sector Purchase Program (PSPP)	Under the Corporate Sector Purchase Program (CSPP), the Eurosystem has also been buying bonds issued by euro area companies since June 2016. Bonds issued by credit institutions are excluded from the program. Only investment grade corporate bonds are purchased. The bonds must have maturities between six months and 30 years. The purchases are carried out by six national central banks of the Eurosystem, including the Deutsche Bundesbank. The central banks can buy both on the primary market - i.e. in a new issue - and on the secondary market. The CSPP is a component of the Asset Purchase Program (APP).
Crack spread	A term used for the price difference between crude oil and refined products.
Crawling peg	A fixed exchange-rate regime allowing for regular and preannounced revaluations/devaluations. (See also Adjustable peg, Fixed exchange rates, Devaluation, Revaluation)
Credit channel	The credit channel describes the transmission of monetary-policy action on the lending behavior of banks. It comprises the bank lending channel, which focuses mainly on (cost, income and risk-induced) restrictions to the supply of credit, and the balance-sheet channel, which highlights the loss in value of (potential) loan collateral. (See also Bank lending channel, Balance sheet channel, Transmission mechanism)
Credit crunch	A credit crunch (or credit squeeze) is a situation where banks curtail their lending to households and enterprises to an extent that the normal credit supply to a country's economy is impaired and thereby exposed to substantial cyclical risks. Such a situation may arise in the wake of pronounced changes in the assessment of borrowers' credit quality due to a sharp plunge in economic activity or after a significant decline in banks' willingness to extend loans, e.g. because they are pursuing deleveraging strategies or are themselves having a hard time obtaining sufficient and fairly priced liquidity to fund their lending business. (See also Deleveraging, Liquidity, Liquidity risk)
Credit default swap	A credit default swap (CDS) largely matches the typical definition of a swap (exchange agreement) and securitizes the agreement that the protection seller will make a compensation payment to the protection buyer should a predefined credit default occur. CDS are like insurance against credit-default risk. In return, the protection seller earns an insurance premium, which depends not only on the credit quality of the reference debtor but also on the duration of the agreement. (See also Credit quality)
Credit quality	Credit quality is a measure of bond issuer's creditworthiness, especially of its ability to pay current interest on a principal and to redeem a bond upon maturity. The lower the assessment of an issuer's credit quality, the higher the interest it has to pay to place its bonds among investors. (See also Bonds)

Currency	A currency is a country's monetary unit and legal tender. The area in which a single currency is used as a medium of exchange is a currency area. On 1 January 1999, the euro was introduced as the new currency in 11 member states of the European Union within the framework of a currency conversion. The euro area (eurozone) currently comprises 19 countries. (See also European Union, Eurozone, Currency area, Single currency)
Currency area	A currency area (also currency region) is the geographical region where a specific currency is used as legal tender. The theory of optimum currency areas deals with the issue of sizing a currency area. It is an assessment approach that indicates the suitability of a group of countries for the introduction of a single currency. (See also Theory of optimum currency areas)
Currency board	A currency board system is an exchange-rate regime in which a country unilaterally pegs the exchange rate of its local currency to that of a foreign currency. In contrast to a simple fixed exchange-rate regime, the exchange rate is determined by law in a currency board, and the national money supply is fully covered by currency reserves. The strong link to the foreign currency allows the country in question to import the former's credibility and stability, which, in turn, can enhance confidence on the part of international financial and foreign exchange (FX) markets. The downside of such a strong currency peg is a loss of monetary-policy autonomy on the part of the country importing the exchange rate. (See also Foreign exchange, Fixed exchange rate, Monetary policy, Foreign currency reserves, Exchange-rate regime)
Currency devaluation	Devaluation is the reduction in a domestic currency's external value through intervention by the competent monetary authority (usually the central bank or finance ministry). (See also External value, Foreign exchange market, Currency revaluation, Exchange rate, Exchange-rate regime)
Currency policy	Currency policy refers to measures aimed at optimizing the design of a country's currency and currency trend (national currency policy) and the interaction of different countries' currencies (international currency policy). Its main focus is on the stability of the external or extrinsic value of money, the design of currency relations with other countries and the maintenance of an external balance. (See also Economic and Monetary Union [EMU], Price stability, Currency, Exchange-rate regime)
Currency realignment	Currency realignment refers to a deliberate upward or downward adjustment of a currency's official exchange rate against a specific standard such as an anchor currency or gold. (See also Gold standard, Currency, Exchange rate)
Currency revaluation	Revaluation refers to the increase in a domestic currency's external value through intervention by the competent monetary authority (usually the central bank or finance ministry). (See also External value, Foreign-exchange market, Exchange-rate regime)
Current account	The current account is listed on the asset side of the balance of payments and comprises the balance of trade (merchandise trade with other countries), the balance of services (services provided for other countries), the balance of income earned from employment and investments and the balance of current transfers. A current-account surplus means that the economy in question produces more than it consumes with respect to domestic and foreign goods. It can thus build up external assets. A current-account deficit creates the opposite situation. (See Real economy, Balance of payments)
Current yield	The current yield (also known as secondary-market yield) is the average yield on all domestic, euro-denominated bonds issued with top credit ratings, especially currently outstanding government bonds. The current yield for Germany is calculated by the Deutsche Bundesbank, with yields classified by issuer and remaining maturity before being published. The current yield reflects the prevailing interest rate on the capital market. In addition, the current yield permits an assessment of the market level. Thus, the current yield is regarded as the bond market counterpart to the DAX equity index.
D	
D+1, M+1, Y+1	Designates a delivery contract: one day ahead, one month ahead, one year ahead.
Debt brake	The debt brake is a rule that is enshrined in the German constitution. In 2011, new mandatory requirements were set out with a view to achieving a sustained reduction in the budget deficit. From 2016 on, the German federal government's annual structural deficit must not exceed 0.35% of gross domestic product. From 2020 on, net borrowing by the federal government and the federal states will no longer be permitted at all, apart from certain exceptions due to extraordinary circumstances. (See also Gross domestic product [GDP])
Debt criterion	The debt criterion is one of the convergence criteria countries must satisfy to enter the third stage of EMU. The debt criterion and the deficit criterion together form the fiscal criteria. The debt-level restriction aims to prevent excessive indebtedness of euro area member states that might jeopardize the ECB's stability-oriented monetary policy. According to the debt criterion, the public-sector debt-to-GDP ratio must not exceed 60% in the calendar year preceding the convergence review, or shall at least be found to have sufficiently declined and must be approaching the reference value at a rapid pace. (See also Deficit criterion, Fiscal criteria, Maastricht criteria)
Deficit criterion	The deficit criterion is one of the convergence criteria countries must satisfy to enter the third EMU stage. The deficit criterion and the debt criterion together form the "fiscal criteria". According to the deficit criterion, net new public-sector debt must not exceed the reference value of 3% of GDP in the calendar year preceding the convergence review. The new debt restriction aims to prevent excessive public-sector indebtedness, which might cause an increase in interest-rate levels. (See also Gross domestic product [GDP], Fiscal criteria, Maastricht criteria, Debt criterion)
Deflation	Deflation is the term for a general decline in prices (negative inflation). The difference between deflation and disinflation is that the latter involves a deceleration in the inflation rate, which, however, usually remains in positive territory. In contrast to disinflation, deflation is at least as undesirable as inflation, as it tends to have a highly negative effect on an economy, as demonstrated by the Great Depression in the early 20th century. In its current monetary-policy strategy, the ECB is pursuing a goal of keeping the inflation rate below (but close to) two percent. Seen from this perspective, the ECB's target is also missed when the inflation rate is too low. The ECB therefore uses monetary-policy instruments to combat inflation deviations from its target to both the upside and the downside. (See also European Central Bank [ECB], Monetary policy strategy, Inflation)
Deflator	The deflator – or, more specifically, the GDP deflator – is a price index that measures how much an increase in gross domestic product can be traced back to an increase in price levels. In contrast to consumer price indices, it measures not only price changes within a selected basket of goods but also changes in all prices in an economy. (See also Gross domestic product [GDP], Price index, Consumer price index)

Deleveraging	At the company level, deleveraging denotes the process companies or financial institutions embark upon to reduce debt-to-equity ratios. This can be achieved through either an increase in equity (e.g. by means of a capital increase or earnings retention) or amortization of debt. Deleveraging leads to a reduction in a company's or a financial institution's leverage and associated risk. At the macroeconomic level, deleveraging refers to debt reduction in entire sectors, e.g. private households or companies. (See also Gross domestic product [GDP])
Deposit facility	The deposit facility is an important monetary-policy instrument used by the European Central Bank (ECB). It allows commercial banks to park money they do not need for the short term overnight with national central banks. On these deposits, commercial banks receive an interest rate known as the deposit rate from their national central banks. This is typically the floor for overnight rates in the money market and one of the key interest rates within the European Union. Since banks can always make use of such deposits, the deposit facility and the marginal lending facility are known as "standing facilities". (See also European Union, European Central Bank [ECB], Money market, Monetary policy, National central bank, Marginal lending facility, Standing facilities)
Deposit insurance system	In Germany, the deposit insurance system (Einlagensicherungssystem) comprises the statutory and voluntary insurance systems of the banking sector that aim to protect bank customers' credit balances in the event of a bank's insolvency. The statutory minimum requirements comprise all deposits, e.g. on current, sight, term and savings accounts, up to EUR 100,000 per customer and per bank.
Depression	Depression is a severe and prolonged downturn in economic activity. During a recession (cyclical downturn), growth rates slow and GDP contracts. If an economy fails to rebound for two or more years, it is said to enter a depression. Characteristics of a depression include a contraction of GDP, high unemployment, excess capacities and bankruptcies. (See also Unemployment, Gross domestic product [GDP], Business cycle, Recession)
Deregulation	Deregulation refers to the reduction or simplification of market regulations (national standards and requirements).
Derivatives	Derivatives are financial instruments whose prices are linked to the price of an underlying asset. The underlying assets can be any kind of security (stocks, bonds, etc.) or commodity (wheat, gold, etc.). The way in which derivative financial instruments are designed enables price fluctuations in the underlying assets to be transferred disproportionately to the prices of the derivatives in question. This makes them suitable for hedging financial risks or speculating on price gains in their underlying assets. Derivatives are traded either as unconditional future contracts in over-the counter (OTC) trading or as standardized option transactions on futures exchanges. (See also Shares [stocks], Bonds, Over-the-counter [OTC] trading, Option transaction, Forward contract)
Deutsche Bundesbank	Deutsche Bundesbank is the central bank of the Federal Republic of Germany. The Bundesbank Act (Bundesbankgesetz – BBankG) of 26 July 1957 merged the nine legally-independent state central banks and the Berlin central bank with their central institution, Bank deutscher Länder (BdL), to create the Deutsche Bundesbank. Upon establishment of the European Central Bank (ECB), Deutsche Bundesbank transferred its monetary-policy responsibility to the ECB, but it is part of the European system of central banks (Eurosystem). (See also European Central Bank, Monetary policy, Central bank)
Discount rate/base rate	The discount rate (Diskontsatz) was the interest rate Deutsche Bundesbank used to charge credit institutions for discount credits. The discount rate also served as the central bank's key interest rate, as banks were able to obtain short-term liquidity at this rate. Following the transfer of monetary-policy authority from Deutsche Bundesbank to the European System of Central Banks (Eurosystem), Deutsche Bundesbank discontinued setting the discount rate on 1 January 1999, and replaced it with the base rate. The latter is 88 basis points lower than its reference rate, the main financing rate, and is adjusted proportionally to the latter's changes on 1 January and 1 July of each year. The base rate is used to determine interest on arrears and is thus of particular relevance in legal matters. (See also Basis points, Deutsche Bundesbank, European System of Central Banks [ESCB], Main refinancing operation, Liquidity)
Discounting factor	The discounting factor (or present-value factor) is used to calculate the present value of future payments, i.e. future payments are discounted to a certain point in time.
Disinflation	See Deflation
Diversification (investing)	In connection with investments, it refers to the use of a wide variety of asset classes, usually for the purpose of reducing the risk of loss and enhancing return opportunities.
Dividend yield	Is calculated by multiplying the distributed dividend by 100 and dividing the result by the share price. (See also Shares [stocks])
Dovish	Dovish (derived from 'dove') describes an approach to key-rate hikes that is characterized by a wait-and-see attitude when inflation risks emerge. The opposite of dovish is hawkish. In monetary policy, a dove is thus someone who thinks the current benefits of keeping interest rates low outweigh the risks and costs of a potentially higher inflation rate down the line. (See also Hawkish, Inflation)
E	
Earnings yield	Reciprocal of the price-earnings ratio (P/E). In fundamental securities analysis, the earnings yield is mainly used to compare valuation levels of the stock market and the bond market. If the earnings yield is significantly below the current yield level on the bond market, the stock's valuation is comparatively high. (See also Stock market, Price-earnings ratio [P/E], Bond market)
EBITDA	EBITDA is used as an abbreviation for "earnings before Interest, taxes, depreciation, and amortization". EBITDA is a widely used financial measure for describing the performance of a company without taking into consideration its form of finance, tax payments, and investment.
Economic and monetary union	An economic and monetary union is a combination of an economic union and a single currency regime. (See Economic and Monetary Union [EMU], Economic union, Monetary union)

Economic and Monetary Union (EMU)	In a European context, Economic and Monetary Union (EMU) is the three-stage process which was begun in 1990 with the abolition of all restrictions on the movement of capital between member states of the European Union and the free use of the ECU (the forerunner of the euro). Stage two of EMU was begun with the establishment of the European Monetary Institute (EMI) in order to strengthen central bank cooperation and monetary policy coordination, and to make preparations for the establishment of the European System of Central Banks (ESCB) to develop a single monetary policy and the creation of a single currency. On 1 January 1999, the third and final stage of EMU commenced with the irrevocable fixing of the exchange rates of the currencies of the 11 member states participating in monetary union under a single monetary policy governed by the ECB. (See also ECB, Euro, European currency unit [ECU], European Monetary Institute [EMI], European System of Central Banks [ESCB])
Economic union	An economic union is a form of economic integration of countries characterized by a single market (free movement of goods, money and capital), freedom of establishment, the free movement of people (workers) and largely harmonized economic policies of member states. Establishment of an economic union involves the creation of a single internal market and the set-up of corresponding supranational institutions with their own powers. (See also Internal market, Economic and monetary union)
EGB	Abbreviation for European government bonds
Elasticity	In economics, elasticity is a measurement for determining the relative change of a variable in response to the relative change in another variable. An illustrative example is the price elasticity of demand, which measures the relative change in demand in response to a relative change in the price.
Eligible collateral	Article 18.1 of the Statute of the European System of Central Banks (ESCB) states that all credit operations between banks and central banks have to be backed by adequate eligible collateral. Such collateral may be submitted either in the form of a pledge (secured loans) or by the transfer of ownership of the collateral in question to the central bank (repurchase agreements). Eligibility means that the collateral in question fulfills uniform credit-quality requirements and is included in the list of eligible collateral. The latter includes both marketable assets (e.g. bonds) and non-marketable assets (e.g. loan receivables). The purpose of such collateral is to allow the central bank to sell the assets in the market in the event that the bank becomes insolvent, thereby offsetting the loss. (See also Credit quality, European System of Central Banks [ESCB], Repurchase agreements [repos])
Emission reduction credits	Emission reduction credits are certificates issued under one of the flexible mechanisms for the reduction of greenhouse gas emissions laid down in the Kyoto Protocol (Joint Implementation [JI] and Clean Development Mechanism [CDM]). Subject to certain qualitative restrictions and up to a predetermined quota, emission reduction credits can be used by plant operators in order to comply with their obligation to surrender emission allowances in the EU Emissions Trading System. (See also EU Emissions Trading System)
Equity funds	Mutual funds that invest exclusively or principally in stocks. (See also Shares [stocks])
ERU	Emission reduction unit; a traded emission unit within the framework of the United Nations' Joint Implementation Plan (JIP).
EU emission allowance (EUA)	An EU emission allowance (European Union Allowance, EUA) grants the right to produce the equivalent of one ton of CO_2. The trading volume for emission allowances has been defined by the EU for the various trading periods of the EU Emissions Trading System and thus corresponds to the total available supply in the system. EU emission allowances are traded in OTC transactions and also on various futures exchanges. (See also European Climate Exchange [ECX], EU Emissions Trading System, Futures contract)
EU Emissions Trading System (EU ETS)	The EU Emissions Trading System is a market-based instrument for regulating greenhouse gas emissions (e.g. carbon dioxide (CO_2), sulphur dioxide, nitrogen oxide) in Europe. It limits emissions in the electricity sector and various emission-intensive industrial sectors by imposing a cap. The right to produce the equivalent of one ton of CO_2 thus becomes a tradable good. The EU Emissions Trading System was introduced in January 2005 upon commencement of the first trading period (2005-2007). The second trading period covered the years through 2012, and the current and third trading period runs through 2020. (See also EU emission allowance [EUA])
Euro	Euro (ISO currency code: EUR) is the name of the European currency used by the countries participating in the European monetary union and adopted at the European Council meeting on 15 and 16 December 1995 in Madrid. This name is used instead of the originally envisaged term ECU (European Currency Unit). (See also Economic and Monetary Union [EMU], European Council)
Euroclear	Euroclear is a clearing company founded in 1968 by Morgan Guaranty Trust Co. and based in Brussels. Its tasks include the custody of securities (custody), the settlement of securities transactions (settlement) and value-added services such as the management of deposited collateral (collateral management) and the brokerage of securities lending, but not the actual clearing. With over 2,000 participating financial institutions in 90 countries and a securities turnover of EUR 500tn, Euroclear is the world's largest clearing system for international securities.
Euro Interbank Offered Rate (Euribor)	The Euro Interbank Offered Rate (Euribor) is an average interest rate charged by selected banks (so-called panel banks) for unsecured loans in euros. For Euribor fixing, the contributing panel banks report the highest interest rates offered to lend unsecured euro funds at 11:00 CET on each day the TARGET2 system is open. The published Euribor rate is a truncated mean of the quotes, excluding the highest and lowest 15%. Although people often speak about "the" Euribor, there are, in fact, eight different Euribor rates. They differ in terms of the maturities of the loans (potential maturities are, for instance, one week or one, three, six or twelve months). The Euribor has a decisive influence on the interest rates charged for a wide variety of loans within the European Union (e.g. floating-rate mortgages) and for numerous interest-rate products (e.g. swaps and forwards). (See also Euro Overnight Index Average [EONIA], European Union, Forward, London Interbank Offered Rate [Libor], Swaps)
Euro Overnight Index Average (EONIA)	The Euro Overnight Index Average (EONIA) is an average interest rate for overnight unsecured lending transactions in the interbank market in euros. It has been calculated by the European Central Bank (ECB) on the basis of actual interbank transactions in euros since 1 April 1999. For EONIA fixing, selected banks (so-called panel banks) report to the ECB at 18:00 CET overnight interest rates and the total volume of unsecured overnight interbank assets created. The ECB, in turn, uses this as a basis for calculating and subsequently publishing a weighted average interest rate, the EONIA. This is a globally accepted reference interest rate and is used as an underlying for a wide variety of financial instruments. (See also Euro Interbank Offered Rate [Euribor], European Central Bank, Interbank market, London Interbank Offered Rate [Libor])

European Central Bank (ECB)	The European Central Bank (ECB) is the central bank of the member states participating in the third stage of Economic and Monetary Union (EMU). Together with the national central banks (NCBs), the ECB forms the European System of Central Banks (ESCB). The primary objective of the ECB and the ESCB is to maintain price stability. In addition, the ECB and ESCB have also been tasked with supporting the community's general economic policy, but only to the extent to which this is possible without compromising the goal of price stability. The main decision-making body of the ECB is the Governing Council, which comprises the six members of the ECB's executive board and the presidents or governors of the euro area NCBs. The executive board consists of the president, the vice-president and four other members appointed by the European Council, acting by a qualified majority. (See also European System of Central Banks [ESCB], Economic and Monetary Union [EMU], Governing Council, National central banks [NCBs], Price stability)
European Climate Exchange (ECX)	The European Climate Exchange (ECX) is the world's largest marketplace for trading futures contracts based on CO_2 allowances. (See also EU Emissions Trading System, Emission allowances, Futures contract)
European Commission	As a supranational executive body of the European Union (EU), the European Commission (EC) is comparable with a national government and is responsible for the implementation of the EU's political measures, ensuring, together with the European Court of Justice, compliance with European law. The EC comprises one commissioner from each EU member state, with one of these EC members being appointed President of the EU Commission by the European Parliament on the basis of a proposal submitted by the European Council. (See also European Union, European Council)
European Council	The European Council defines the general political goals and priorities of the European Union, but has no formal legislative power. It comprises the heads of state and government of the member states, the president of the European Council and the president of the European Commission. The High Representative of the Union for Foreign Affairs and Security Policy (who is simultaneously vice-president of the European Commission) takes part in the council's work. Meetings of the European Council are held twice every six months, but the council president may also call extraordinary meetings. Council decisions are usually taken by consensus. The president of the European Council is elected by the members themselves with a qualified majority for a two-and-a-half year term of office. (See also European Union, European Commission)
European Currency Unit (ECU)	The European Currency Unit, better known as its abbreviation ECU, was an artificial currency unit in the European Monetary System (EMS), the precursor of Economic Monetary Union (EMU). The ECU was based on a basket consisting of the currencies of the twelve states that had joined the European Community by 1993 (Euro12 except Austria and Finland, plus the United Kingdom and Denmark). The ECU ceased to exist upon introduction of the euro on 1 January 1999. All amounts denominated in ECU were converted into euro at a ratio of 1 to 1. (See also Euro, Economic and Monetary Union [EMU], European Monetary System)
European Economic Area (EEA)	The European Economic Area consists of the 28 member states of the European Union (EU) as well as the three member states of the European Free Trade Association (EFTA), Iceland, Liechtenstein and Norway. (See also European Union [EU])
European Exchange Rate Mechanism (ERM)	To reduce intra-European exchange-rate fluctuations and thus achieve a greater degree of monetary stability in Europe, a European exchange rate mechanism was created before the introduction of the euro. After adoption of the single European currency on 1 January 1999 in the third stage of Economic and Monetary Union of the European Union (EMU), the system known as European Exchange Rate Mechanism II (ERM II) superseded the ERM. ERM II not only defines the framework for exchange-rate-policy cooperation within the Eurosystem, but also regulates the conditions for the introduction of the euro in potential future European Union member states within the framework of the convergence criteria. (See Economic and Monetary Union [EMU], Convergence criteria, Maastricht criteria, Exchange rate criterion)
European Financial Stability Facility (EFSF)	See European Stability Mechanism (ESM)
European Investment Bank (EIB)	The European Investment Bank (EIB) is the financing institution of the European Union (EU). Established in 1958 and headquartered in Luxembourg, the EIB works closely with EU bodies with a view to implementing the EU's policy and fostering European integration through the financing of investments. Alongside the realization of EU goals, the EIB also seeks to enhance the economic and social development of the EU's partner countries throughout the world within the framework of its development cooperation. To achieve this objective, it grants long-term loans and guarantees to public and private investors and also assumes an advisory role in administrative and project-management issues. The funds for the EIB's financing transactions are not taken from the EU budget, but are raised through bond issuance on capital markets. (See also European Union, Capital market)
European Monetary System (EMS)	The European Monetary System (EMS) was an arrangement aimed at strengthening monetary-policy integration within the European Community (EC). It was adopted by the European Council on 13 March 1979 and was a precursor to Economic and Monetary Union (EMU). The prime goal of the EMS was the achievement of exchange rate stability within the EC. Upon commencement of the third stage of EMU on 1 January 1999, the EMS was discontinued and replaced by the euro. Subsequently, EMS II was introduced for countries not yet participating, but seeking to join the monetary union. Participation presupposes fixing the so-called "central parity" of the national currency to the euro (see also Exchange-rate criterion). (See also Euro, European Council, Economic and Monetary Union [EMU], Exchange-rate criterion)
European Stability Mechanism (ESM)	As an international financial institution located in Luxembourg, the European Stability Mechanism (ESM) commenced operations on 27 September 2012. The ESM is the successor of the European Financial Stability Facility (EFSF) within the "euro safety net" and has the remit to stabilize the euro area. The mission of the ESM is to provide emergency loans and give guarantees to euro area member states experiencing financial difficulty that threatens to challenge the stability of the euro area, subject to stringent economic-policy requirements, with a view to maintaining such member states' solvency. (See also Eurozone)
European System of Central Banks (ESCB)	The European System of Central Banks consists of the European Central Bank (ECB) and the national central banks of all European Union member states, i.e. it includes not only the national central banks (NCBs) of the Eurosystem, but also the national central banks of those EU member states that have not (yet) adopted the euro. The top decision-making body of the ESCB is the Extended Governing Council, which comprises the president and vice-president of the ECB and the presidents or governors of the central banks of all EU member states. (See also European Union, European Central Bank, National central banks [NCBs])
Eurozone	The eurozone (officially the euro area) is a monetary union consisting of those members of the 28 European Union (EU) member states that have introduced the euro as their common currency. Since 1 January 2015, the eurozone has 19 member states: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain. (See also European Union [EU])

Event risk	The risk that an event will negatively affect a company, sector or market.
Exchange-rate channel	The exchange-rate channel describes the transmission of monetary-policy measures to the exchange rate and the consequent effect on domestic inflation. For example, if the central bank raises its key interest rate, higher domestic interest rates will attract foreign investors. Due to the resultant higher demand, the domestic currency appreciates, making the prices of imported goods cheaper, which, in turn, curbs upward domestic price pressure. (See also Key interest rate, Transmission mechanism, Currency devaluation, Currency revaluation, Central bank)
Exchange-rate criterion	The exchange-rate criterion is one of the convergence criteria for entry into the third stage of Economic and Monetary Union (EMU). To satisfy this criterion, countries must have participated in the European Exchange Rate System without major exchange rate fluctuations or devaluations in the two years preceding the convergence review. Once countries give up their national exchange rates and transition to the third EMU stage, exchange rate adjustments with respect to the other participating countries are no longer possible. The exchange-rate criterion thus aims to ensure that economies adopting the euro no longer need the flexibility of the national exchange rate. (See Economic and Monetary Union [EMU], European Exchange Rate System, Convergence criteria, Maastricht criteria)
Exchange Rate Mechanism II	See European Exchange Rate Mechanism
Exchange-rate regime	An exchange-rate regime is essentially the currency policy pursued by a country or the way in which exchange rates between two currencies are determined. A differentiation is made between two basic forms: **1.** in a floating exchange-rate regime, exchange rates are formed freely based on supply and demand on the foreign exchange market; **2.** in a fixed exchange-rate regime, exchange rates are kept at a desired level through government intervention. If a country unilaterally pegs the exchange rate of its currency to another country's currency, i.e. without contractual agreement between the countries involved, this is called a currency board. (See also Currency board, Foreign exchange market, European Exchange Rate Mechanism II, Fixed exchange rate, Currency devaluation, Currency revaluation, Central bank intervention)
Exchange rate risk	Exchange rate risk arises in international trade when the future development of the exchange rate is unpredictable. Specifically, strong exchange rate fluctuations make it impossible for companies to reliably calculate their income from and costs of export and import transactions. Within the Economic and Monetary Union (EMU), there have been no exchange rate fluctuations since 1 January 1999. As transactions with other euro area countries account for a large share in the region's foreign trade, a major part of exposure to exchange rate risk has been eliminated. (See also Economic and Monetary Union [EMU], Transaction costs)
Exchange-traded fund (ETF)	An exchange-traded fund is a special kind of index fund whose units can be traded on stock exchanges. It replicates an index, a basket of assets or single assets such as individual commodities.
Expectation channel	Expectation channel is a term used to describe the transmission of monetary-policy measures to the inflationary expectations of banks and non-banks. As a central bank can only control short-term interest rates in the money market, while long-term real interest rates play a decisive role for investors, it must manage the trend in interest rates and inflationary expectations through the way in which it communicates its interest-rate decisions such that it is able to influence long-term interest rates. For example, a key-rate cut does not lead to a reduction in long-term real interest rates if the markets expect this expansionary monetary policy to fuel inflation in the future. However, the central bank can take advantage of the fact that investors and the parties involved in collective bargaining negotiations take account of these inflationary expectations in the returns and wages they demand by building up a reputation for its decisive anti-inflationary stance. (See also Money market, Transmission mechanism)
Expenditure approach	Calculation and presentation of gross domestic product (GDP) by the final use of goods produced and services rendered. As goods and services can be consumed, invested or exported, GDP comprises household and public-sector spending, gross capital formation and exports minus imports (net exports). (See also Gross domestic product [GDP], Gross capital formation)
External value	The external value is the amount of foreign currency units one receives for one unit of a local currency. The external value of a currency increases when it is revalued/appreciates, i.e. one receives more foreign currency units for one local currency unit. In a system characterized by floating exchange rates, the external value of a country's local currency can be expressed in terms of either a single reference currency (bilateral external value) or several reference currencies (multilateral/effective exchange rate). If a single currency is selected as a reference yardstick, a country's local currency can appreciate/depreciate against other currencies, limiting the meaningfulness of this approach. The effective external value of a currency shows its external value against a certain group of countries. The multilateral (effective) exchange rate is arrived at by calculating a weighted average; the weightings used in the process are usually the shares the countries in question contribute to foreign trade revenues. (See also Currency, Flexible exchange rates, Devaluation, Revaluation)
F	
Federal funds target rate	The Federal funds target rate is the interest rate set by the Federal Open Market Committee (FOMC) as the US key interest rate and is implemented through open market operations.
Federal Open Market Committee (FOMC)	The Federal Open Market Committee is a part of the Federal Reserve and consists of 12 members. Seven of these members also sit on the Fed's board of governors. The remaining members come from the ranks of 12 Federal Reserve Bank presidents, on a rotating basis (the president of the New York Federal Reserve Bank has a permanent seat). The FOMC meets eight times a year to decide on US monetary policy (makes decisions on the key interest rate, intervention in foreign exchange markets, the purchase of government bonds) and to provide an outlook on future interest-rate trends. (See also Bonds, Board of governors, Foreign exchange market, Federal funds target rate, Federal Reserve System, Monetary policy)
Federal Reserve System (Fed)	The Federal Reserve System (Fed) consists of the Fed's board of governors, 12 regional Federal Reserve Banks, the Federal Open Market Committee and a large number of financial institutions (membership is mandatory after banks reach a certain size).I In its entirety, it forms the central bank of the United States of America. In addition to setting general monetary policy, the Fed's duties also include performing regulatory tasks and supervising banks to maintain the stability of the banking system. The Fed is also responsible for maintaining the nation's payment system and serves as banker to the US Department of Treasury. (See also Banking supervision, Board of governors, Federal Open Market Committee, Monetary policy, Central bank)
Fiat money	Fiat money, also called paper money, is a means of payment without intrinsic value. Paper money is assigned value only through the fact that it can be used as a means of payment. This is usually achieved by a government's declaring that it is legal tender. In contrast to fiat money, commodity money (e.g. gold and silver) not only has an external or extrinsic exchange value but also intrinsic value, irrespective of any monetary-policy decisions regarding its function as a medium of exchange.

Financial market	Financial market is an umbrella term used for all markets on which financial instruments are traded (foreign exchange market, money market, capital market). Trading on financial markets can be regulated via exchanges or can take place freely between two parties in over-the-counter transactions (OTC trading). (See also Over-the-Counter [OTC] trading, Foreign-exchange market, Money market, Capital market)
Financial stability	Financial stability describes a financial system that is efficiently performing its functions, such as the smooth allocation of funds and the settlement of financial transactions. This applies to periods of structural transformation and stress. In Germany, for instance, the Deutsche Bundesbank, the German Federal Ministry of Finance, the German Federal Financial Supervisory Authority (BaFin) and the German Federal Agency for Financial Market Stabilization (FMSA) cooperate on the German Financial Stability Committee (AFS) within the framework of macroprudential supervision in order to take precautions against systemic crises that might jeopardize financial stability. (See also Deutsche Bundesbank, Macroprudential supervision, Systemic risk)
Financial transaction tax	The financial transaction tax is a levy imposed on trading in securities or derivative instruments. Its purpose is to curtail speculative financial transactions and high-frequency trading, which are suspected to have been triggers or catalysts of the financial crisis in 2008-09. (See also Shares [stocks], Bonds, Derivatives, European Commission, European Union [EU])
Fine-tuning operation	Fine-tuning operations are monetary-policy instruments that allow registered banks to offset short-term liquidity fluctuations with central bank money. To this end, frequently used fine-tuning operations such as term deposits or foreign-exchange swaps are carried out in quick tenders. The goal of such fine-tuning operations is to prevent sharp interest-rate movements in the money market. (See also Foreign-exchange swap, Open market operation)
Fiscal criteria	Fiscal criteria are the two convergence criteria that can be influenced by fiscal policy and must be fulfilled to allow a country to join the euro area, as stipulated by the Maastricht Treaty. The two criteria are deficit criterion and debt criterion. (See also Deficit criterion, Economic and Monetary Union [EMU], Convergence criteria, Maastricht Treaty)
Fixed exchange rate	Exchange rates between currencies that are set at a predefined level and do not adjust to changes in supply and demand.
Fixed-rate tender	A fixed-rate tender (volume tender) is an auction procedure of the European Central Bank (ECB) generally used as part of its open market operations that auctions off central bank money to its counterparties (eligible banks) via repurchase agreements (repos) at an interest rate specified prior to the tender. Counterparties can submit bids on the amount of securities they want to transfer in exchange for central bank money. Liquidity is ultimately allocated based on the central bank's assessment of the adequacy of the money supply and of the share of the individual bids in relation to the total number of securities offered. Following the outbreak of the financial crisis, the ECB switched to full allotment, i.e. banks now receive exactly the amount of central-bank money they request. (See also Money supply, Monetary policy, Liquidity, Open market operation, Repurchase agreements [repos], Central bank, Central bank money)
Fixing	Determination of a fixed reference price or exchange rate (e.g. at an exchange or by a central bank) at a certain, regular point in time.
Flattener trade	Positioning in expectation of a flattening of the yield curve
Floating rate note (FRN)	Floating rate notes (also known as floaters) have a coupon comprised of a variable benchmark interest rate (e.g. Libor or Euribor) and a credit-quality spread set upon issuance. This protects creditors from rising interest rates and debtors from falling interest rates.
Foreign currency reserves	Foreign currency reserves (also called forex or FX reserves) are a country's internationally usable liquid funds. Official foreign currency reserves are the relevant funds held by a central bank. Foreign currency reserves are of particular significance in a system of fixed exchange rates because they play a major role in a country's ability to support its own currency in foreign exchange markets under such a regime. (See also Foreign-exchange market, Fixed exchange rate, Central bank)
Foreign direct investment (FDI)	Investments in foreign countries are shown in the balance of payments and are carried out with the objective of setting up business establishments or subsidiaries in a foreign economy or acquiring foreign enterprises. The goal is to develop a long-term relationship between the direct investor and the company in question, granting the investor a significant degree of influence on the entity's business policy. (See also Balance of payments)
Foreign exchange (FX)	Foreign exchange is defined as credit balances denominated in a foreign currency that are held by a country's residents in credit institutions abroad. Notes and coins (i.e. cash) of a foreign currency are not included in the term.
Foreign-exchange market	The foreign exchange market (FX market) is the trading platform where the supply of certain currencies meets the demand for said currencies, determining their exchange rates. With currency exchanges having largely been eliminated, foreign exchange trading now mostly takes place via interbank transactions. (See also Foreign exchange, Exchange rate)
Foreign-exchange swap	Foreign-exchange swaps (forex swaps, FX swaps) are agreements concluded to hedge exchange-rate risks in foreign-currency investments or foreign-currency loans. Such agreements involve a commitment to purchase a certain currency amount and a simultaneous guarantee to repurchase an identical amount at a future date. The swap rate is defined as the difference between the purchase price and the sale price. When a bank carries out such swap transactions with a central bank within the framework of fine-tuning operations, the purchase of foreign exchange adds central bank money to the banking system, while the contractually agreed upon future foreign exchange repurchase withdraws central bank money from the banking system. (See also Foreign exchange, Fine-tuning operation, Repurchase agreements [repos], Swap transaction)
Foreign notes and coins	See foreign exchange (FX)
Forward	An unconditional, non-standardized futures contract is also called a forward, as it is not traded on a stock exchange in a standardized manner but on the basis of conditions that have been freely agreed upon. The underlyings can differ widely, but foreign exchange and interest rates are the most frequent ones. (See also Over-the-Counter (OTC) trading, Foreign exchange, Futures contract)
Free on Board (FOB)	Contractual basis for oil distillates. FOB (Free on Board) is a trade term used in cargo shipping under which the seller has no obligation to take out insurance, with the goods being delivered on board a vessel. Another customary contractual basis is Cost, Insurance and Freight (CIF). (See also Cost, Insurance and Freight [CIF])
Fuel switching	Fuel switching is a fuel-price limit from which gas-based electricity generation becomes more cost-efficient than coal-fired electricity generation.

Fund unit (investment share)	A security representing co-ownership in funds issued by investment companies. The value of a unit is calculated by dividing the respective fund's assets by the number of units issued.
Futures	Futures and forwards are futures contracts. Futures are traded in a standardized manner on exchanges and forwards are traded over the counter on the basis of non-standardized contracts. (See also Over-the-counter [OTC] trading, Derivatives, Forward, Futures contract)
Futures contract	A differentiation has to be made between conditional and unconditional futures contracts. The former are also called option contracts, while the latter are binding transactions: the buyer of an unconditional futures contract undertakes to buy a security or a particular commodity at a future time and price that are pre-determined at the closing of the contract (long position), while the seller commits to making an identical delivery (short position). Futures contracts can, for instance, be used to speculate on price changes or hedge against financial risks. They are traded either in a standardized manner on futures exchanges or over the counter on the basis of bilaterally agreed terms and conditions. (See also Arbitrage, Over-the-counter [OTC] trading, Derivatives, Option transaction)
FX	foreign exchange
FX rate	See Exchange rate
G	
G7, G8, G10 and G20	The G7, G8, G10 and G20 groups are various informal forums aimed at fostering international cooperation and the exchange between countries with comparable economic interests. The G8, currently known as the G7 while Russia remains suspended, is a group that comprises the eight largest industrialized nations (Germany, France, United Kingdom, Italy, Japan, Canada, United States). The G10 is a group of major industrialized nations that deal with monetary and financial-market issues. The addition of 10 further large industrialized nations (including major emerging markets) to the G10 resulted in the formation of the G20.
Gulf Cooperation Council (GCC)	The Gulf Cooperation Council is an organization of six states located in the Persian Gulf.
Gold reserve	Gold reserves refers to the gold held by a national central bank. Upon the introduction of the gold standard, central banks began to accumulate large gold reserves to cover their money stock. When the gold standard was abandoned, many central banks reduced their gold reserves, using them to finance existing government debt. To prevent a significant plunge in the gold price due to excessive sales on the part of central banks, the countries with the largest gold reserves joined forces under the Central Bank Gold Agreement, which was signed in Washington, DC, on 26 September 1999. This agreement regulated the volume of the relevant central banks' gold sales for the subsequent five years. (See also Gold standard, Central bank)
Gold standard	The gold standard is a monetary system in which the value of a currency is directly linked to the gold price, i.e. the currency consists either of gold coins or of paper money the central bank is willing to exchange for gold at a fixed exchange rate in unlimited quantities. If several countries opt for a gold standard, the relative prices of their national currencies versus the other (nominal exchange rates) become fixed. (See also Fiat money, Fixed exchange rate, Exchange rate)
Governing Council	The Governing Council is the main decision-making body of the ECB. It comprises the six members of the ECB's executive board and the presidents or governors of the national central banks (NCBs) participating in the common currency. (See also Economic and Monetary Union [EMU], European Central Bank [ECB], National central banks [NCBs])
Gross capital formation	Gross capital formation is the sum of all capital expenditure made during a specific period. In national accounts, this amount is comprised of inventory investment and gross fixed investment. Deduction of depreciation from this amount results in net investment. (See also National accounts)
Gross domestic product (GDP)	Gross domestic product (GDP) is a country's aggregate value added during a specific time period. It comprises all goods produced and services provided by residents and non-residents in the individual economic sectors within a country's borders valued at market prices after the deduction of any goods consumed as input plus non-deductible value-added tax and import duties. GDP is calculated within the framework of the preparation of aggregate national accounts. The percentage change in real GDP (GDP at constant prices of a specified base year) is a major economic growth indicator. (See also National accounts)
Gross national income (GNI)	Gross national income corresponds to gross domestic product (GDP) after primary income paid to the rest of the world is deducted and primary income received by residents from the rest of the world is added. (See also Gross domestic product [GDP])
H	
Haircut (security)	A haircut is a percentage discount on the value of a security used, for example, as collateral in a lending transaction. When a credit institution wants to borrow money from a central bank, this security will have to be deposited as collateral. A discount, or haircut, is calculated on the current value of this security if it is subject to substantial price fluctuations. The discounted value also reduces the credit amount, which means that the haircut can also be regarded as a default hedge. (See also Central bank)
Haircut (bond)	A haircut is a reduction in the agreed-upon repayment amount of a loan or bond. If, for instance, a borrower has to repay a EUR 1,000 loan, and a 40% haircut has been agreed upon, the lender will receive a redemption of only EUR 600. (See also Bond)
Harmonized Index of Consumer Prices (HICP)	The Harmonized Index of Consumer Prices (HICP) is the price index used by the European Central Bank for assessing price stability. This index was originally developed to assess price convergence, i.e. the inflation criterion. To ensure international comparability of national price indices, consumer goods expenses are subdivided by product groups from which sub-indices are derived. However, there is no uniform European basket of goods. The weightings by which the sub-indices (and, by extension, the product groups) are incorporated into the national HICPs, will vary depending on the significance of spending on the product groups in the country in question. Compliance with the reference level for the inflation criterion by the individual countries is then measured on the basis of the respective HICP calculated. (See also European Central Bank, Inflation, Price stability)
Hawkish	Hawkish describes an approach to key-rate hikes that is characterized by preemptive action when inflation risks emerge. The opposite of hawkish is dovish. In monetary policy, a hawk is someone who thinks the risks and costs of a potentially higher inflation rate down the line outweigh the current benefits of keeping interest rates low. (See also Dovish, Inflation)

HDD	HDD is an abbreviation of heating degree day, a unit for measuring demand for heating energy.
Hedge fund	Hedge funds are not subject to any investment guidelines, allowing their managers to invest in any assets they wish to, e.g. exotic derivatives. Such funds are thus exposed to higher risk but offer a broad investing range and high performance potential in return. Investments are usually contractually agreed on for maturities ranging from several months to several years and typically involve the payment of performance-based management fees. (See also Derivatives)
HICP forecast	Harmonized Index of Consumer Prices: an inflation measure that is standardized throughout the EU
Household savings rate	The household savings rate is defined as a household's share of disposable income not spent on consumption expenditure as a percentage of total available gross income.
HSFO	HSFO stands for high sulphur fuel oil, which is a variety of heating oil.
HT plates	HT plates are rolled metal sheets made from cold-formed aluminum alloys.
I	
iBoxx	iBoxx is the name of a family of bond indices. The EUR Index family refers only to EUR denominated bonds whereas the USD Index family refers only to USD denominated bonds. Without the explicit indication of the currency, we usually refer to the EUR indices. The iBoxx indices are rule-based, i.e. all bonds that meet the corresponding criteria are included in the index. There are both investment grade and high yield indices. Major sub-indexes include, for example, financials as well as non-financials. In addition, a distinction can also be made between senior bonds and subordinated (or hybrid) bonds.
Inflation	Inflation is the continuous process of loss of value as reflected by rising prices (opposite: deflation). The rise of an individual price over a lengthy period of time or a one-time increase in prices following an unusual event (e.g. a failed harvest) is not considered inflation. Analysis of the trend in inflation plays an important role in the European Central Bank's monetary-policy strategy. (See also European Central Bank, Deflation, Monetary-policy strategy, Price stability)
Inflation targeting	Inflation targeting is a monetary-policy strategy based on the goal of price stability, which it seeks to achieve without interim targets such as money-supply growth rates. This strategy aims to publicly set a target for the inflation rate, to compare it with the central bank's medium-term inflation rate and to intervene should inflation deviate from its target rate. To allow for the time lag inherent in monetary-policy transmission, forecasts take into account a wide variety of data (e.g. import prices, unit labor costs or the output gap). If the medium-term inflation forecast is above/below the target, a central bank will pursue a more restrictive/more expansionary monetary policy. The monetary-policy instruments used in this approach are the customary ones, even though they can only influence prices indirectly. (See also Monetary policy, Monetary-Policy Strategy, Inflation, Unit labor costs, Price stability, Output gap, Transmission mechanism, Central bank)
Inflation tax	Inflation tax describes the financial loss of value resulting from an inflation-induced loss of money value and leads to a shift in resources from the private sector to the government, similar to a tax. When government spending tends to be financed by printing money or government bond issuance rather than via tax revenues, the resulting inflation reduces the real value of money, and individuals forced to hold money incur corresponding holding costs. Such costs, in turn, erode the real value of government debt to the same extent, which, figuratively speaking, constitutes a shift of resources from enterprises and consumers to the government. (See also Bonds, Inflation)
Inflationary expectations	This is a rate of inflation that the general public thinks will prevail in the future. These expectations determine how effectively a central bank can influence the overall economy through its monetary-policy actions. (See also Inflation, Central bank)
Inflation-linked bonds	Inflation-linked bonds (ILB or linkers) are linked to an inflation index such as the consumer price index (CPI). A rise in the index during the life of the bond results in a proportional increase in both coupon payments and the redemption amount. A decline in the index has no negative impact on the redemption value, meaning that 100% of the nominal value is always paid back to bondholders.
Input costs	Input costs indicate the value of goods (merchandise or services) that are procured from other economic entities within a reporting period for production purposes or which are consumed, processed or converted by domestic economic entities. Wear and tear of fixed assets, which is reflected in depreciation, is not part of input costs. Examples include raw materials and supplies, other intermediate products, maintenance repairs, transportation costs, postage charges, legal costs, commercial rent, etc.
Interbank market	The interbank market is defined as the market on which all transactions between banks are carried out. The term interbank market not only refers to transactions involving foreign exchange, securities and derivatives but also to short-term liquidity-balancing operations (money-market transactions). (See also Foreign exchange, Derivatives, Money market)
Interest	Interest is the price of loaning assets for a certain period of time. Use of the term is mostly limited to the most frequently occurring definition, i.e. the price of taking out a loan. In the euro area, the money-market is influenced decisively by the monetary-policy instruments used by the European Central Bank (ECB). (See also EMU, European Central Bank, Monetary-policy strategies)
Interest rate swap	An interest rate swap securitizes the agreement of two contractual parties to exchange interest payment streams arising from a predetermined nominal amount of money during a set period. Usually, fixed interest payments are swapped for variable interest payments. (See also Euro Overnight Index Average [EONIA], Euro Interbank Offered Rate [Euribor], Swap transaction)
Interest warrant (Bond warrant)	A warrant based on an underlying that is a fixed-interest security or interest-rate future. When interest rates fall, prices of fixed-interest securities rise. Holders of interest call warrants thus speculate on falling interest rates. (See also Futures)
Interest-rate criterion	The interest-rate criterion is one of the Maastricht convergence criteria for entry into the EMU. Its goal is to ensure the harmonization of long-term interest rates. The interest-rate criterion stipulates that interest rates must not exceed the average long-term interest rate level of the three member states with the lowest inflation rates by more than two percentage points in the 12 months preceding a convergence review. In this calculation, the long-term interest rate is measured on the basis of yields on government bonds with a remaining maturity of approximately 10 years. (See also Bond, Economic and Monetary Union [EMU], Inflation, Convergence criteria, Maastricht criteria)

Interest-rate policy	Interest-rate policy is an approach pursued by a central bank to influence money-market rates through changes in its key interest rates. The macroeconomic significance of interest-rate policy results, among others, from the fact that interest rates are cost factors influencing enterprises' and households' decisions regarding capital expenditure and the purchase of consumer durables respectively. (See also Central bank)
Internal market	An internal market is a defined economic area in which the free movement and trade of all factors of production – goods, services, persons, capital – is assured. In many cases, internal market also describes a domestic market, as its economic area matches national borders. The European Economic Area is an example of a supranational internal market; with its approximately 500 million inhabitants in 28 member states, it is the world's largest market in terms of gross domestic product. (See also Gross domestic product [GDP], European Economic Area [EEA])
International Copper Study Group (ICSG)	The International Copper Study Group (ICSG), headquartered in Lisbon, was established in 1992 as an international inter-governmental organization. It seeks to enhance transparency in copper markets and to promote international cooperation on all issues related to copper. The ICSG is thus the only forum solely dedicated to copper where industry and governments can meet and discuss common problems and objectives.
International Energy Agency (IEA)	The International Energy Agency (IEA), headquartered in Paris, was established in response to the 1973/74 oil crisis. Its 16 founding members seek to ensure a stable supply of energy among member states. This includes not only the accumulation of strategic oil reserves but also the development of new, environmentally benign and sustainable energy technologies through international cooperation and by safeguarding the efficiency of international energy markets. Today, 28 countries or regions are IEA members, including the European Union. (See also European Union, Organization for Economic Cooperation and Development)
International Monetary Fund (IMF)	The establishment of the International Monetary Fund (IMF), headquartered in Washington, D.C., was one of the achievements of the 1944 Bretton Woods Conference. The IMF has 146 member states and is one of the specialized agencies of the United Nations. It was established to control and set the rules of the Bretton Woods system of fixed exchange rates. Since the Bretton Woods system was abandoned in 1973, the main mission of the IMF has been to foster global monetary cooperation, to grant loans to member states in order to overcome temporary balance-of-payment problems, to expand international trade and to monitor monetary policy. (See also Bretton Woods Conference, Fixed exchange rate, Monetary policy, Currency policy, Balance of payments)
Investment bank	The business activities of an investment bank mainly involve the issuance of securities on behalf of companies and government agencies, trading in securities, foreign exchange and all kinds of financial products, assistance and advice in initial public offerings (IPOs), mergers and acquisitions, and asset management on behalf of clients. With this range of activities, investment banks differ significantly from commercial banks, which focus primarily on the lending and deposit business. Investment banks emerged in the wake of the segregation of commercial and investment banking imposed by the Glass-Steagall Act in the United States in the early 1930s (in force until the late twentieth century). In the Continental European universal banking system, such segregation between commercial and investment banking is practically non-existent, as large banks engage in virtually all banking activities. (See also Foreign exchange, Issue)
Issue	An issue is the initial placement of new securities (stocks, bonds) by issuers, such as banks, companies or sovereigns. Securities are usually issued to raise capital for the issuer, mostly on the basis of tenders or auctions. (See also Shares [stocks], Bonds)
iTraxx	iTraxx is the name of a family of credit default swap indices covering Europe and Asia. The indices are intended to represent the development of the corresponding credit derivative markets. Depending on the sub-index, different segments of the CDS market are covered. The iTraxx Main refers to European financial and non-financial companies with investment grade ratings. The iTraxx crossover refers to companies in the sub-investment grade and crossover area. When referencing the iTraxx indices without a runtime specification, 5Y maturities are usually targeted.
J	
JPM CEMBI	JP Morgan Corporate Emerging Market Bond Index
K	
Key interest rate	The key interest rate is the short-term interest rate set by a central bank in the money market within the framework of its monetary-policy actions. A key-policy-rate increase (reduction) indicates a more restrictive (expansionary) monetary-policy course. The key interest rate sends an important signal to the money market. In the eurozone, the key interest rate is set by the European Central Bank (ECB). The ECB's key interest rates are the interest rates of the marginal lending facility, the deposit facility and the main refinancing operations, although the term "key interest rate" is generally used to refer to the main refinancing rate. (See also Deposit facility, European Central Bank [ECB], Money market, Monetary policy, Main refinancing operation, Marginal lending facility)
L	
Labor market	The labor market is where labor supply (employers) and labor demand (job seekers) meet.
Lagging indicator	A lagging indicator changes only after a change in certain economic conditions has already occurred. Apart from lagging indicators, there are also coincident indicators and leading indicators that change at the same time as macroeconomic conditions or even before the occurrence of certain developments. Lagging indicators can be used to verify trends that have already been identified by leading or coincident indicators. (See also Trend)
Lender of last resort	The term "lender of last resort" is used to designate an institution that provides, or at least guarantees, liquidity to borrowers facing unavoidable liquidity bottlenecks. At the national level, liquidity provision is mostly guaranteed by the national central bank; at the supranational level, this function is frequently performed by the International Monetary Fund (IMF). This function is prompted by the need to prevent temporary liquidity bottlenecks of a basically solvent debtor from leading to existential crises, with spillover effects possibly affecting additional companies, sectors or entire economies. (See International Monetary Fund [IMF], Liquidity, Central bank)
Liquidity	Liquidity describes the degree to which an object of value can be quickly exchanged for a means of payment without affecting its price. Liquidity thus also expresses an individual or legal entity's ability to fulfill payment obligations that arise at short notice. (See also Liquidity risk)

Liquidity risk	Liquidity risk describes the risk of an inability, or limited ability, to fulfill upcoming payment obligations. It can also describe a situation in which funds can be raised only at elevated costs because capital is tied up in long-term investments. Due to illiquidity, an otherwise economically sound and profitable enterprise can slip into insolvency unless it receives a short-term liquidity injection. (See also Liquidity)
Liquidity trap	A liquidity trap is a situation in which the key rate is at or close to zero, making enterprises and households indifferent about whether they hold securities or cash. The conventional instrument of a key-rate reduction aimed at jump-starting the economy reaches its limits here, as the central bank can only bring its key interest rates into negative territory. Although the central bank can continue to increase the supply of liquidity, investors will voluntarily hold the additional cash at the unchanged zero interest rate rather than making it available for investment. (See also Liquidity, Central bank)
Lisbon Treaty	The Treaty of Lisbon, which took effect on 1 December 2009, served the purpose of taking account of the growing range of tasks of the European Union (EU) and ensuring its continued ability to act through comprehensive institutional reform. This institutional reform was to make the EU more democratic, transparent and efficient. Apart from the Treaty on the Functioning of the European Union (TFEU), which also defines the role of the European Central Bank as an institution of the EU, the Treaty of Lisbon also includes the Treaty on European Union (TEU, also known as the Maastricht Treaty), which serves as a basis for the political EU with a common monetary and currency union and a common foreign policy. (See also European Union, Economic and Monetary Union [EMU], European Central Bank, Maastricht Treaty)
LLS	Light Louisiana Sweet, a crude-oil variety
LME	See London Metal Exchange
LME backwardation	A situation in which the current spot prices are higher than the prices of futures contracts.
LNG	Liquified natural gas
London Interbank Offered Rate (Libor)	The London Interbank Offered Rate (Libor) is an average interest rate for short-term interbank loans, which is calculated daily. Its calculation is based on a survey conducted by the British Bankers‘ Association of selected banks with top credit ratings. These banks are asked at what interest rate they would be able to raise money in the interbank market. Libor rates are calculated for 15 different maturities, including the maturities used most frequently for futures contracts (one month, two, three, six and twelve months) as well as 10 different currencies. The Libor is used worldwide as a reference interest rate for many money-market financial instruments. (See also Euro Interbank Offered Rate [Euribor], Euro Overnight Index Average [EONIA], Money market, Interbank market, Futures contract)
London Metal Exchange (LME)	The London Metal Exchange is the global center for trading in industrial and precious metals, e.g. aluminum, copper, nickel, lead, tin and zinc. Its goal is to create price-hedging opportunities through liquid futures contracts. In addition, the LME approves and licenses storage facilities throughout the world. (See also Derivatives, Futures, Options)
Long position	A long position is the position taken by the buyer in a trade. (See also Futures contract)
Long-Term Refinancing Operation (LTRO)	Long-term refinancing operations are important monetary-policy instruments in European open-market policy and mainly serve the purpose of ensuring the long-term liquidity supply of the European banking system with central bank money. In conjunction with main refinancing operations, long-term refinancing operations offer banks fulfilling certain criteria an opportunity to borrow central bank money for a limited period in exchange for eligible collateral. In contrast to more short-term main refinancing operations, tenders are only held at monthly intervals, and the maturity of the central bank money to be allocated is much longer, i.e. three months. In the wake of the financial crisis, the Eurosystem also decided to offer long-term refinancing operations with significantly longer maturities (e.g. three years). (See also Eurozone, Main refinancing operation, Open market operations, Standard tender, Central bank money)
LSFO	Low sulphur fuel oil, a heating-oil variety.
M	
M0	The M0 monetary aggregate (also referred to as monetary base, base money or central bank money) is defined as the total of cash (physical banknotes and coins) in circulation outside the banking sector and the deposits that banks hold at the central bank (in the form of central-bank reserves). (See also Central bank money)
M1	In addition to the M0 monetary aggregate, M1 also includes non-banks' overnight sight deposits (credit balances on current accounts). The M1 monetary aggregate thus refers to the money that is available on demand. (See M0, Non-banks)
M2	In addition to the M1 monetary aggregate, M2 also includes savings deposits with a period of notice of up to, and including, three months and term deposits (fixed-income investments) with maturities of up to, and including, two years. As term and savings deposits cannot be used for payments at all times, the M2 monetary aggregate thus also includes less liquid funds. (See Liquidity, M1)
M3	In addition to the M2 monetary aggregate, M3 also includes money-market fund units and debt securities with a maturity of up to, and including, two years. The M3 monetary aggregate plays the most crucial role for the European Central Bank's monetary policy. (See European Central Bank, Monetary policy, M2)
Maastricht criteria	Also known as convergence criteria, these criteria, which were laid down in the 1992 Treaty of Maastricht, define the conditions a member state of the European Union (EU) has to meet if it wishes to join the Economic and Monetary Union (EMU) and adopt the euro as its official currency. Specifically, there are four conditions that all aim to enhance convergence among member states: **1.** Member states must prove sustained price stability, using the average inflation rate of the three member states with the most stable price trend as their yardstick. **2.** Public-sector finances must not be characterized by excessive indebtedness (the government budget deficit must not exceed 3% of GDP and the general government-debt-to-GDP ratio must not exceed 60%) **3.** Exchange-rate deviations from the euro exchange rate must remain within a normal range, i.e. member states must have participated successfully in the Exchange Rate Mechanism II for at least two years. **4.** The average long-term nominal interest rate must not exceed the average of the three euro area member states with the most stable price trend by more than two percentage points in the year prior to entry assessment. (See also Deficit criteria, European Union [EU], Economic and Monetary Union [EMU], Fiscal criteria, Inflation, Convergence criteria, Maastricht Treaty, Price stability, Debt criterion, Exchange rate criteria, Exchange Rate Mechanism, Interest-rate criterion)

Maastricht Treaty	The Treaty of Maastricht is the treaty that established the European Union (official name: Treaty on European Union). It was signed in Maastricht, the Netherlands, in December 1991 and took effect on 1 November 1993. In 1997, the Maastricht Treaty was supplemented by the Treaty of Amsterdam. (See also Amsterdam Treaty, European Union)
Macroprudential supervision	Macroprudential supervision encompasses an analysis of risks for the stability of the financial system as a whole – e.g. risks arising from macroeconomic developments in international financial markets – and their monitoring and regulation with a view to detecting undesirable developments and identifying the potential scope for action. (See also Systemic risk)
Main refinancing operations	Main refinancing operations are the most important monetary-policy instrument of the European Central Bank (ECB). They primarily serve the purpose of managing interest rates and money supply in the eurozone. In these operations, the ECB offers all banks fulfilling certain criteria weekly standard tenders in which they can bid for central bank money/liquidity with a maturity of one week in exchange for eligible collateral. Discussions about the ECB's key interest rate normally refer to the main refinancing rate. Since every change in the main refinancing rate impacts banks' money-raising costs and is passed on to customers via the borrowing rates charged for loans, the ECB can influence banks' entire interest-rate spectrum through its main refinancing operations. In addition, the ECB signals its monetary-policy course to the public by setting its refinancing rate. Since the onset of the financial crisis, main refinancing operations have lost importance, while longer-term refinancing operations have come to play a more prominent role. (See also European Central Bank, Eurozone, Monetary policy, Open-market operations, Standing facilities, Eligible collateral, Standard tender, Central bank)
Managed floating	Managed floating (also known as dirty floating*)* is an exchange-rate regime that has freely floating exchange rates, which are influenced by rare and unannounced intervention to ensure a target exchange rate (examples include numerous southeast Asian countries). (See also Exchange rate, Exchange-rate regime)
Marginal lending facility	A monetary policy instrument banks can use to cover their short-term liquidity needs (overnight, until the next business day). The central bank provides liquidity against eligible collateral. The interest rate for the marginal lending facility simultaneously constitutes the upper limit for the overnight money market rate and can thus be regarded as one of the Eurosystem's key interest rates. Since banks continuously have the right to raise liquidity in this manner, the marginal lending facility and the deposit facility are collectively known as "standing facilities". (See also Deposit facility, Monetary policy, Money market, Key interest rate, Liquidity, Eligible collateral)
Market capitalization	The market value of a company. It indicates the total value of a stock corporation on the stock exchange and is calculated by multiplying the current market price of one share by the total number of shares issued. (See also Shares [stocks])
MB Iron Ore Index (IOI)	The MB Iron Ore index contains reference prices for the iron-ore spot market. They are tonnage-weighted calculations of actual transactions that have been normalized to a base specification and delivery point, using the value-in-use for materials, as applied by the market.
MBR	Metal Bulletin Research
Millions of barrels per day (mb/d)	This is a unit of measure indicating daily oil output in millions of barrels. (See also Barrel)
Minimum reserve ratio	Mandatory balances that must be held by banks on current accounts at national central banks are called minimum reserves. The level of these minimum reserves is determined by what is known as the "reserve base", which is calculated as the total of liabilities subject to reserve requirements (overnight deposits and deposits with a maturity or period of notice of up to, and including, two years) of each individual bank. The minimum reserve ratio then defines the percentage of the reserve base that must be deposited as a minimum reserve at the national central bank. The minimum reserve ratio was set at 2% upon commencement of the third stage of the European Economic and Monetary Union and subsequently lowered to 1% on 18 January 2012 within the context of the monetary-policy measures adopted in an effort to combat recession in Europe. The theoretical background of this reduction in the minimum reserve ratio is the idea that changes in this ratio can influence money and credit creation: a reduction/increase in mandatory deposits leads to higher/lower lending and, hence, higher/lower money growth. (See Economic and Monetary Union [EMU], Money creation, National central bank)
Monetary policy	Monetary policy is the total bundle of measures taken to control the money and credit supply of an economy. The central bank of the currency area in question is responsible for carrying out its monetary policy. For the countries of the EMU, the European Central Bank (ECB) is thus responsible for this task. The ECB has various instruments at its disposal to implement its monetary policy; their use is based on a certain monetary-policy strategy. (See also Economic and Monetary Union [EMU], European Central Bank [ECB], Monetary-policy strategy)
Monetary union	A monetary union refers to a number of countries that pursue a common monetary and currency policy. In most cases, these countries simultaneously also adopt a single currency. (See also Economic and Monetary Union [EMU], Monetary policy, Currency policy)
Monetary-policy strategy	Monetary-policy strategy defines the specific way in which the Eurosystem pursues its primary objective, i.e. maintaining price stability. The European Central Bank (ECB) relies on two pillars in its monetary-policy strategy. First, the ECB monitors the money supply, announcing a reference level for annual money-supply growth. Second, it performs a broadly-based evaluation of the outlook for future price trends and the risks for price stability in the euro area. This evaluation is based on a range of economic indicators providing information on future price trends (e.g. wages, exchange rate, long-term interest rates). A monetary-policy strategy is thus a coherent and structured description of the way in which monetary policy decisions are made against the background of economic-indicator trends in order to achieve the central bank's economic policy goals. (See also European Central Bank [ECB], Money supply, Price stability)
Money creation	Central-bank money is created when the central bank lends funds to commercial banks. The latter, in turn, create (paper) money by lending funds to private households and enterprises. However, the loans extended must be backed with a certain amount of central-bank reserves, known as the reserve ratio, and – depending on the risk of the loan extended – with equity capital. As commercial banks can create only paper money, but no central bank money, they have to borrow the money they need from the central bank or from other banks holding excess reserves via the money market. This allows the central bank to influence banks' money creation with the help of its key interest rate, e.g. by increasing bank's lending costs through a key-rate hike. (See also Paper money, Money market, Reserve ratio, Central bank, Central bank money)

Money market	On the money market, banks, corporations, insurance companies and governments try to invest excess liquidity or take out loans to cover short-term liquidity bottlenecks. Apart from such short-term liquidity transactions, interbank loans with longer maturities (up to a maximum of 12 months) are also contracted on the money market. For this reason, the central bank plays a key role here, setting the deposit rate and the marginal lending rate (in the case of the ECB). Such rate decisions create an interest-rate corridor, with the deposit rate and the marginal lending rate acting as lower and upper boundaries for money-market rates with comparable maturities. Interest rates for longer maturities are derived from this basis. (See also Main Refinancing Operation, Liquidity)
Money market paper	Special securities, mostly short-term discounted debt instruments (with maturities of up to one year), that are issued for the purpose of raising short-term liquidity. In the US, money-market paper includes short-term government bonds such as Treasury bills. In addition, this category also includes notes issued by banks and corporations with maturities of less than one year. (See also Liquidity, Treasury bills)
Money supply	The money supply is the entire stock of money held by the domestic non-bank sector in a currency area at a specific point of time. Basically, this includes cash in circulation and various measures of bank deposits that differ in their breadth, depending on their degree of liquidity. The ECB monitors trends in the money supply (the broadly defined M3 aggregate) within the framework of its monetary policy strategy. (See also European Central Bank, Monetary-policy strategy, M1-M3, Non-banks)
Moral hazard	A moral hazard is the risk that arises when a contractual party changes its behavior after the conclusion of a hedging agreement in a manner increasing the probability of damage occurrence. One example would be a person who becomes more careless in the handling of his/her belongings after taking out theft insurance.
Mortgage-Backed Security (MBS)	Mortgage-backed securities are asset-backed securities created by the securitization of mortgage loans. A differentiation is made between MBS collateralized with commercial and multi-family properties (commercial mortgage backed securities, CMBS) and MBS collateralized with residential properties (residential mortgage backed securities, RMBS). (See also Asset-backed security, Systemic risk)
Moving Average Convergence Divergence (MACD)	Introduced by Gerald Appel in 1979, the MACD indicator is one of the most popular instruments in technical analysis. Its calculation is based on two averages that are subtracted from each other. The result is plotted as a line, and a further signal line is added, creating a two-line model. A buy signal is triggered when the MACD crosses the signal line from the bottom to the top. And vice versa, a sell signal is triggered when the MACD crosses the signal line from the top to the bottom.
MWh	A megawatt hour, unit for electrical energy.
N	
National accounts	As key macroeconomic statistics, national accounts systematically consolidate several flow and capital accounts to provide a quantitative view of an economy's performance in a past period. On the basis of the theory of the economic cycle, which captures all exchanges between enterprises and households, national accounts combine a number of sub-accounts. The main focus of these sub-accounts is on the generation, distribution and use of gross domestic product and national income. Further sub-accounts include input-output accounts – which show the goods and income cycle –, national wealth and financing accounts. In addition, there are sub-accounts on the labor force, the volume of work and foreign trade. The most important component of the foreign-trade accounts is the balance of payments, which documents the flow of goods and capital between residents and non-residents. (See also Balance of payments)
National central bank (NCB)	National central bank (NCB) is the term used for the central bank of a member state of the European Union participating in the EMU. The NCBs and the European Central Bank (ECB) together form the European System of Central Banks (ESCB). (See also European Union, Economic and Monetary Union [EMU], European Central Bank, European System of Central Banks)
NBP	National Balancing Point, central trading location for natural gas in the UK market.
NBS	National Bureau of Statistics in China.
NCG	Net Connect Gas, central trading location for natural gas in the German market.
New York Mercantile Exchange (NYMEX)	The New York Mercantile Exchange (NYMEX), located in New York, is the world's largest commodity futures exchanges. The commodities traded range from metals to energy products to agricultural commodities. In 1994, NYMEX merged with the New York Commodities Exchange (COMEX). The company was taken over by the CME Group in 2008. (See also Futures contracts)
NHT plates	Rolled metal sheets made from cold-forming aluminum alloys.
No-bail-out clause	The "no-bail-out" clause in Article 125 of the Treaty on the Functioning of the European Union (TFEU) is an important rule of the Economic and Monetary Union, which aims to ensure that member states of the European Union are not held liable for the obligations and debt of other member states. By ensuring that the member states are themselves responsible for their public-sector debt, this clause is to create an incentive for individual governments to pursue a prudent fiscal policy. In addition, Article 123 of the TFEU bans monetary state financing by the European Central Bank (ECB) and national central banks. (See also Bail-in, Bail-out, European Union, Economic and Monetary Union, European Central Bank, National central bank)
Nominal interest rate	Contractually agreed interest rate on interest-bearing securities, expressed as a percentage on the nominal value. (See also Real interest rate)
Non-banks	Non-banks are all economic operators outside the banking system: private households, the public sector, private non-profit organizations and business enterprises or financial-service providers without a banking license. (See also Private non-profit organization)
Non-distributing fund	A mutual fund that does not make regular distributions to unit holders but reinvests income from securities.
Non-performing loan (NPL)	Under the Basel II framework, a non-performing loan is defined as a loan that has been unpaid for at least 90 days, making full redemption seem unlikely, which, in turn, means that creditors will have to set aside specific loan-loss provisions. (See also Basel II)
NYMEX	New York Mercantile Exchange
O	
OIS	Abbreviation for Overnight Index Swap: an interest-rate swap involving the exchange of a variable into a fixed flow of payments. In this case, the variable leg uses the overnight interest-rate index (Euro Overnight Index Average for the euro zone).

Open market operation	To achieve their monetary-policy objectives, central banks use liquidity-providing and liquidity-absorbing open market operations. These operations allow them to manage interest rates and the liquidity in the financial markets. The term "open market operation" in itself is already a very illustrative description of the type of transaction. Central banks buy or sell securities from or to commercial banks. The purchase of securities from commercial banks is a liquidity-providing monetary-policy instrument, because the commercial banks involved obtain central bank money, which they can then use for lending purposes, thereby passing the money on into wider circulation. On the other hand, the sale of securities to commercial banks is a liquidity-absorbing central bank intervention because the commercial banks involved have to pay for the security in question, which means that central bank money is withdrawn from the banking system. (See Monetary policy, Liquidity, Central bank, Central bank money, Central bank intervention)
ONS	Office for National Statistics. UK's largest independent producer of official statistics and its recognised national statistical institute. Responsible for collecting and publishing statistics related to the economy, population and society at national, regional and local levels.
Opportunity cost	As an economic concept, opportunity cost (occasionally also referred to as alternative cost) is not a cost item within the meaning of cost accounting, but rather the cost of alternatives foregone. For individuals faced with the decision of either going to work or enjoying leisure time, for instance, the opportunity cost incurred by opting in favor of leisure time would be the wages the person would have earned during the period in question.
Options	Option transactions fall in the category of contingent futures contracts, because the buyer of an option has the right, but not the obligation, to buy or sell a certain number of an underlying (e.g. stocks, bonds, foreign exchange or commodities) at a predetermined price (strike price) from or to the counterparty in the transaction (option writer) for the duration of the option. On closing the contract, the buyer of an option pays the option writer a premium for this right to choose. Options to buy (calls) can be used to speculate on rising prices, while options to sell (puts) can be used as protection against undesired price declines. (See also Shares [stocks], Bonds, Underlying, Derivatives, Futures contract)
Organization for Economic Cooperation and Development (OECD)	The Organization for Economic Cooperation and Development (OECD) is an international institution, consisting of 34 major industrialized nations and headquartered in Paris. The goals of this institution include contributing to the development of the global economy and promoting global trade though better living standards and sustainable economic policies in the member countries. The Organization for Economic Cooperation and Development was established in 1961 subsequent to the conclusion of the Treaty of Rome and emerged from the Organization for European Economic Cooperation, which was established together with 18 European countries in 1948 and was mainly responsible for administering Marshall Plan aid.
Organization of the Petroleum Exporting Countries (OPEC)	The Organization of the Petroleum Exporting Countries (OPEC) is a cartel established in 1960 that aims to influence the oil price on the world market by setting output quotas and coordinating the petroleum production policies of its member states. The twelve member countries of OPEC (Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela) account for approximately 40 percent of global petroleum production and hold an estimated three fourths of global petroleum reserves.
Output gap	The output gap is the difference between an economy's actual output and its production potential. If the actual output falls short of an economy's real production potential (negative output gap), economic resources are not used efficiently. A positive output gap, by contrast, leads to an overheating of the economy. According to macroeconomic theory, this results not only in falling unemployment, but also rising inflation. (See also Inflation, Production potential)
Outright Monetary Transactions (OMT)	Outright Monetary Transactions (OMT) are Eurosystem programs for the purchase of government bonds. Under the OMT program, the Eurosystem may purchase government bonds issued by certain euro area countries in the secondary market for amounts not explicitly limited in advance. With this program, the Governing Council aims to ensure an appropriate monetary transmission process and the consistency of monetary policy. The purchase of government bonds under the OMT program is conditional on the government concerned submitting to conditions under an EFSF/ESM program. The OMT program envisages "sterilising" the central bank money created by the securities purchases, i.e. withdrawing this money from the money market. The OMT program is to be discontinued if the objectives it pursues are achieved or if it is established that requirements of the program are not being met. Monetary policy outright transactions replaced the Securities Markets Program (SMP) in September 2012.
Over-the-counter (OTC) trading	Financial transactions between market participants not settled via an exchange (also known as off-exchange trading)
P	
Pandemic Emergency Purchase Program (PEPP)	The Pandemic Emergency Purchase Program (PEPP) was launched in March 2020 to address the risks to the monetary policy transmission mechanism caused by the corona epidemic and improve the outlook for the euro area. To this end, the Eurosystem plans to purchase assets worth EUR 750 billion by the end of 2020. All assets that are also eligible under the existing asset purchase program (APP), i.e. covered bonds, asset-backed securities, public sector securities and corporate sector securities, can be purchased. As in the APP, the distribution of the purchases of public sector securities across countries is based on the respective capital key of the national central banks. In contrast to the APP, however, purchases under the PEPP are carried out flexibly. This allows for fluctuations in the distribution of purchases over time with regard to the asset classes (e.g. covered bonds or asset-backed securities) and the countries invested. In contrast to the APP, securities issued by the Greek government may be purchased under the PEPP.
Participating countries	Participating countries are the member states of the European Union (EU) that have joined the third stage of Economic and Monetary Union of the European union (EMU) in accordance with the relevant resolution adopted by the EU heads of state and government. As of 1 January 1999, EMU participating countries were Germany, France, the Netherlands, Belgium, Luxembourg, Italy, Spain, Ireland, Portugal, Austria and Finland. See the term eurozone for an updated list. (See also European Union, Economic and Monetary Union, Eurozone)
PBoC	People's Bank of China
Peak load	The peak load is a period during which the electricity grid is exposed to an especially high burden, mainly occurring around noon or in the early evening and lasting only for a brief period. To cover these brief surges in demand, power plants are added to the grid that can increase to full output quickly and are thus able to cover short-term demand. However, the quick readiness for operation of these kinds of plant (pumped storage power plants and gas turbine power plants) is associated with higher costs. (See also Base load)
Peripherie	Government bonds of Greece, Ireland, Italy, Portugal and Spain
PGB	Abbreviation for Portuguese government bonds

Physical demand	To cite gold as an example: physical demand is the demand focusing on the actual purchase of physical gold (e.g. ingots or investment/bullion coins). Demand for securities that merely invest in gold or bet on the gold price without any intention to buy physical gold is thus not classified as physical demand.
Preferred stock	Share with preferential rights. In many cases, preferred stock holders are also put in a more favorable position in the resolution of a stock corporation. On the other hand, such stock does not include voting rights in most cases. (See also Shares [stocks])
Price index	A price index is a weighted measure of individual prices of a specific group of goods, with reference to a base year. Any meaningful interpretation must focus on changes in a price index rather than its absolute level. A price index is the basis of measuring inflation or deflation and thus also the assessment of whether the goal of price stability has been achieved. The European Central Bank (ECB) uses the Harmonized Index of Consumer Prices (HICP) to assess whether price stability has been ensured. (See also Deflation, European Central Bank, Harmonized Index of Consumer Prices [HICP], Inflation, Price stability)
Price stability	Price stability (also known as price level stability or monetary stability) is a state in which both deflation and inflation are absent. Strictly speaking, price level stability is achieved when the rate of general price level increases (inflation rate) is zero over time. However, this rigorous definition is virtually impossible to apply in practice, as the ECB needs sufficient monetary-policy leeway to implement interest-rate reductions. For this reason, the European Central Bank defines price stability as a year-on-year increase in the Harmonized Index of Consumer Prices (HICP) for the euro area of below, but close to 2%. (See also Deflation, European Central Bank, Eurozone, Harmonized Index of Consumer Prices [HICP], Inflation)
Price/earnings ratio (P/E ratio)	Current share price divided by earnings per share, i.e. the pro-rata share in a company's profit generated over one year that is allocable to a single share. (See also Shares [stocks])
Price-wage spiral	In contrast to the wage-price spiral, the price-wage spiral is a process of mutual feedback effects between rising prices (e.g. through increased crude oil import prices) and rising wages (demand for compensation for rising prices in collective bargaining). Higher wage demands, in turn, lead to higher production costs, driving prices even further up. Continued price and wage increases trigger a chain reaction and are a potential cause of inflation. (See also Inflation, Wage-price spiral)
Primary market	The primary market (also known as new issue market) is the part of the capital market on which financial instruments (equities, bonds) are first offered for sale (issued). (See also Shares [stocks], Bonds, Issue, Secondary market)
Private equity	Private equity is a form of venture capital invested by private investment companies via unregulated markets in non-listed enterprises, which are usually young and innovative or in need of restructuring. The goal is to build up or restructure the enterprise acquired and then obtain an exchange listing through an initial public offering (IPO) or sell it on. (See also Over-the-counter [OTC] trading)
Private non-profit organization (PNPO)	A private non-profit organization (PNPO) is characterized by the fact that it does not pursue the objective of generating an economic profit, is neither financed nor controlled primarily by the government and is available to private households for free or at economically negligible prices. Most non-profit organizations pursue charitable, scientific or cultural objectives. Examples include sports clubs and other societies and associations, churches and religious communities, trade unions and political parties.
Producer price index (PPI)	Similar to the Harmonized Index of Consumer Prices (HICP), the producer price index measures the trend in prices of a representative basket of goods. Unlike its HICP counterpart, however, the PPI basket includes a large number of goods that are purchased only by producers (raw materials, intermediate goods, finished goods). (See Harmonized Index of Consumer Prices [HICP])
Production potential	Production potential is the macroeconomic output an economy can generate based on normal labor conditions and capital utilization. Changes in production potential depend not only on changes in factors of production, but also on technological progress and structural change.
Public Sector Purchase Program (PSPP)	Under the Public Sector Purchase Program (PSPP), Eurosystem central banks have been buying public sector securities, such as government bonds and debt instruments of European institutions and agencies, since March 2015. There are detailed rules for purchases under the PSPP. For example, due to the prohibition of monetary government financing, central banks may only purchase government bonds on the secondary market. The PSPP is by far the largest component of the Asset Purchase Program (APP).
Purchasing managers' index (PMI)	The German purchasing managers' index (EMI, Einkaufsmanagerindex in German) is a reliable leading indicator of the business trend in Germany that has been published monthly since 1996. It is modeled on the US purchasing managers index (formerly PMI; now ISM/Institute of Supply Management), which condenses the answers of a representative survey panel of purchasing managers regarding their assessment of the current situation and future developments in an index. The reference line is an index value of 50 points, with results exceeding/falling below this level indicating (the expectation of) an economic expansion/contraction compared to the preceding period. Topics on which the purchasing managers are surveyed include: backlogs of work, new export orders, quantities of materials used/input, stock of finished goods, purchase prices, employment. (See also Business cycle)
Purchasing power parity (PPP)	Purchasing power parity (PPP) indicates how many units of a currency are required in various countries to buy a predefined basket of goods and services. If the predefined basket costs the same in two countries after currency conversion at the exchange rate, there is purchasing power parity between these countries. In such a situation, the nominal and real exchange rates are identical. (See also Exchange rate)
Q	
QE program	Short for "quantitative easing": program launched by a central bank for the purchase of assets (e.g. government bonds) with the aim to increasing the monetary base.
Quantitative easing	Quantitative easing is a monetary policy tool used by central banks to pump additional liquidity into the banking system and, by extension, into the economic cycle. The goal of such a monetary-policy strategy is to ensure the ability to provide additional stimulus to the economy, also during periods when interest rates are close to zero. To this end, a central bank purchases large quantities of bonds – particularly long-dated sovereign bonds – which, in turn, create new central bank money. In addition, the bond purchases tend to impact bond prices, lowering the corresponding yields. (See also Bond, Money supply, Monetary policy, Central bank)

R	
Rating	A rating classifies debtors or securities in terms of their credit quality. In many cases, such classifications are performed by specialized rating agencies. Rating codes are mostly denoted with letters, with AAA and Aaa being the top ratings assigned by the best known agencies. Debtors or securities with ratings of BBB- or Baa3 or higher are called "investment grade". Those with lower ratings are classified as "sub-investment grade" or speculative. The end of the rating scale is denoted by the letters C or D, describing debtors or securities that are already in default. (See also Credit quality)
RBOB	Reformulated gasoline blendstock for oxygenate blending, a benchmark for gasoline.
Real economy	The real economy is the part of the overall economy concerned with goods, services and resources and not part of the financial sector.
Real gross domestic product	In contrast to nominal gross domestic product (GDP), real GDP is adjusted for price changes and thus not subject to any distortion of an economy's output through price changes. Among other things, it can thus be used for comparisons over time based on the prices of a certain base year. (See also Gross domestic product [GDP])
Real interest rate	Interest income after allowing for inflation. It is defined as nominal interest rate minus the inflation rate. (See also Inflation)
Real wage	In contrast to the nominal wage, the real wage takes account of changes in price levels, i.e. it corresponds to the remuneration of work performed, adjusted for the inflation rate. This means that wage increases for employees only lead to an increase in purchasing power if they exceed the rise in the general price level. The real wage thus provides a good measure for monitoring the purchasing power of wages over time.
Recession	Period in the business cycle during which real macroeconomic activity contracts, i.e. shows a negative rate of change. Normally, a recession is said to occur when the growth rate is negative in at least two consecutive quarters. (See also Depression, Business cycle)
REER	The real effective exchange rate (REER) is the weighted average of a country's currency in relation to an index or basket of other major currencies. The weights are determined by comparing the relative trade balance of a country's currency against each country within the index. This exchange rate is used to determine an individual country's currency value relative to the other major currencies in the index. Countries with the largest trading relationships would have the largest weightings in the index.
Repurchase agreement (repo)	A repurchase agreement (repo) is a contract in which the purchase of an asset is combined with a simultaneous agreement to buy back the asset at a later date. Since the owner of the security thus receives money from the repo buyer/lender for a limited time – while the security is transferred – this type of transaction is essentially a loan collateralized by the security in question, with the borrowing rate being determined by the difference between the purchase price and the selling price of the security. Usually, the central bank plays the role of either repo buyer/lender or repo seller/borrower in transactions with commercial banks when it wishes to provide/absorb central bank money for a specified period of time as part of its open market operations. (See also Main refinancing operation, Open market operation, Central bank)
Reserve currency	A reserve currency is a currency frequently used by central banks to accumulate foreign currency reserves. Since the launch of the euro, it has been the second most important reserve currency after the US dollar. (See also Economic and Monetary Union [EMU])
Resistance zone	The term "zone of resistance" or "resistance zone" is used in technical analysis and describes the opposite of "support zone".
Risk premium	The risk premium is the additional interest that investors demand for investments in risky assets compared to investments in assets that are considered to be risk-free. A number of factors impact the level of the risk premium, e.g. the issuer's credit quality, the liquidity and the maturity of the investment. The higher the perceived risk that the money invested will not be paid back, or recovered only with a discount, the higher the risk premium. (See also Bond, Credit quality, Bond market)
Roll-down	Replacement of an option with a new option that has a lower execution price (strike).
RON	Research octane number, a widely used measure of the octane rating of fuel.
S	
Safe-haven assets	Safe-haven assets are investments that are considered to be especially safe and crisis-proof. Generally speaking, this group includes investments in bonds issued by governments with excellent ratings, but also gold. (See also Rating)
SCRAP/LME ratio	The SCRAP/LME ratio is the ratio between the price of scrap generated from metal-containing products and the value of new metal traded on the London Metal Exchange. An increase in the SCRAP/LME ratio implies that the value of scrap is rising, while the value of new underlying metal is declining and vice versa. (See also London Metal Exchange)
Seasonal adjustment	Seasonal adjustments are made to filter out seasonal influences and calendar effects from time-series data, as these factors might present a distorted picture of the actual trend in business activity. (See also Business cycle)
Secondary market	The Secondary market is the part of the capital market where already-issued financial instruments are traded, e.g. stocks or bonds. Following the initial issuance of these securities in the primary market, they can be sold on to new investors on the secondary market. Price adjustments of financial instruments also take place on the secondary market, as this is where prices are determined by supply and demand. Exchanges are regarded as the most important secondary markets. (See also Shares [stocks], Bond, Primary market)
Security	A security is a document securitizing certain rights to an asset. Securitization makes it easier to trade these rights. Examples of securities include equity shares, bonds and investment fund units. See also Shares [stocks], Bond)
Seigniorage	Seigniorage is the profit a central bank generates from printing money minus the cost of production and distribution of central bank money. Due to a central bank's monopoly on the issuance of banknotes and the fact that all private economic operators voluntarily hold certain amounts of cash that do not produce any interest, the value the central bank prints on the cash minus the costs it incurs corresponds to the profit realized. (See also Money supply, Inflation, Central bank)
Semi-Core	Government bonds of France and Belgium

Shadow economy	The term "shadow economy" subsumes all economic activities not captured in official statistics such as undeclared work, illegal business transactions or cash-in-hand transactions without invoice.
Shanghai Future Exchange (SHFE)	The Shanghai Future Exchange (SHFE) is one of the largest commodity trading hubs in China. Since its establishment in 1998, futures contracts for an extensive list of commodities (steel, copper, aluminum, natural rubber, heating oil, zinc, and gold) have been traded on this exchange. (See also Futures contracts)
Shares (stocks)	Shares or stocks are securities representing a fraction of ownership in a company's share capital. A business may issue different types, or classes, of shares with different ownership rules, privileges (such as rights to vote at and attend general meetings of the company) and share values. Owners of shares – shareholders – are liable to the amount of their share – or stockholding – and participate in profits. Stock corporations use shares to raise equity, which is not withdrawn from the company when shareholders decide to sell their shares. (See also Stock market, Security)
Short position	A short position is the position held by a seller in a trade. (See also Futures contract)
Short-covering rally	Price increases caused by the closing of short positions in futures contracts. Such positions are usually held by speculative investors.
Single currency	A single currency is created by a number of countries within the framework of a monetary union. Externally, single currencies are regarded as an effort to build up a counterweight to widely used currencies of other countries (e.g. reference currencies). The single currency for the member states (participating countries) that have entered the third stage of Economic and Monetary Union of the European Union (EMU) is the euro. (See also Economic and Monetary Union [EMU], Monetary union)
Slow stochastic (SStoch)	The stochastic oscillator compares the difference between a security's most recent closing price and its low over a given time period within the trading range (high/low) over said period. This permits quantification of the position of the current closing price within the fluctuation range. The result of the formula is plotted on a scale from 0 to 100 as a two-line model (the "%K line" and its moving average, the "%D line"). The "slow stochastic" is a smoothed version of the oscillator. A value of 100% indicates that the most recent closing price corresponds to the highest price of the given time period (0% = lowest price). In the standard interpretation, stochastic values above 80% indicate an overbought price, while values below 20% suggest an oversold price.
Spot transaction	In futures trading, a spot transaction is a standardized contract providing for contractual performance on the part of both parties within a period of time determined in advance. For spot transactions, this period is defined as "within two trading days of closing of the transaction". (See also Futures contract)
Spread	A spread is the difference between two prices or yields (e.g. of bonds). The bid-ask spread, for instance, is the price difference between the lowest offer to sell and the highest offer to buy in the market. (See also Bond)
SRB	State Reserve Bureau in China
Stability and Growth Pact (SGP)	The Stability and Growth Pact (SGP) is the supplement to the EC Treaty designed to ensure sustainable limitation of public-sector deficits in EU member states. The most important goals of the agreement are the maintenance of budget discipline, also after the launch of the single currency, with a view to permanent compliance with the fiscal criteria and generation of sustainable growth. The core element of the Stability and Growth Pact is the rule that the public-sector deficit should not exceed 3% of a country's nominal GDP. Exceptional increases in the budget deficit of more than 3% are allowed only in the event of a severe recession. An economic downturn is deemed to be severe if real GDP contracts 0.75% within one year. If the 'excessive' deficit is not eliminated within a predefined period, the member state in question will face sanctions. (See Fiscal criteria, Maastricht criteria)
Stagflation	Stagflation (composite of the terms stagnation and inflation) occurs when strong price increases coincide with stagnating economic growth. This can happen when expansionary fiscal policy measures lead to rising prices, but not to higher economic growth. (See also Inflation)
Standard tender	A standard tender is a standardized central bank tender and allotment procedure, which is part of regular European open market operations and offers the opportunity to participate in the regular main refinancing operations and refinancing operations with two-week and three-month maturities to specifically approved banks (counterparties) in the Economic and Monetary Union. Since October 2008, standard tenders have been held in the form of fixed rate (volume) tenders. (See also Economic and Monetary Union, Main refinancing operation, Fixed-rate tender, Open market operation, Central bank)
Standing facilities	In the Eurosystem, the national central banks offer commercial banks a permanent opportunity to raise and invest money as a monetary-policy instrument. These two so-called "standing facilities", the deposit facility and the marginal lending facility, thus form the upper and lower boundary of the corridor for the overnight rate on the money market and provide important signals regarding the course of monetary policy. (See also Deposit facility, European Central Bank, Money market, Monetary policy, Marginal lending facility)
Stock market	As a component of the capital market, the stock market is an exchange on which shares (stocks) are traded. Supply meets demand in trading, thus establishing share prices. However, traditional floor trading, where stock traders physically gather in stock exchanges – is increasingly being replaced by electronic trading platforms provided by exchange operators. (See also Shares [stocks], Capital market)
Stress test	Stress tests are simulations designed to calculate the consequences of extreme market developments, particularly on the balance-sheet items of financial institutions (banks, insurance companies). The aim is to identify and reduce the risk of potential illiquidity. (See also Deutsche Bundesbank, Liquidity)
Strip	The Separate Trading of Registered Interest and Principal of Securities (STRIP) separates interest and principal repayments into zero-coupon bonds that are traded individually. A zero-coupon bond pays only one cash flow at the time of maturity. The strips curve is one case of a spot curve and shows what is priced in for developments in rates across different maturity times. The US strip is derived from US Treasury bonds.
Subscription ratio	Ratio of the number of old shares to the number of newly issued shares. In a 4:1 capital increase, existing shareholders can subscribe to one new share for every four shares they already hold. (See also Shares [stocks])

Support zone	The term “zone of support” or “support zone” is used in technical analysis. The support zone refers to a price range that is likely to promote a net increase of demand for the security. If a falling price reaches a support zone, it is more likely to increase again than to fall below the support zone. Once the price has fallen below the support zone, however, it is more likely to continue falling until reaching a lower support level.
Sveriges Riksbank	The Riksbank is the Swedish Central Bank.
Swap transaction	Swap transactions are basically transactions in which an exchange takes place. Well-known swaps are foreign exchange swaps, credit default swaps and interest rate swaps. (See also Foreign exchange swap, Credit default swap, Interest swap)
Systemic risk	Systemic risk is a designation for the risk that insolvency on the part of a market participant threatens the liquidity or solvency of other market participants and, by extension, the stability of the entire financial system. Systemic risks can also arise when individual rational behavior culminates in herd behavior, unsettling financial stability. (See also Financial stability, Liquidity)
Systemically important bank	A bank is considered systemically important if its insolvency would have a severely negative impact on the entire (domestic) financial system, or at least major parts thereof, and also on the real economy. (See also Real economy)
T	
TC/RC	Treatment charge (TC) and refining charge (RC) are payments received by copper smelters/refineries from mine operators for processing copper concentrate into metal.
Theory of optimum currency areas	The theory of optimum currency areas is a concept developed in economics in order to assess the suitability of a group of countries for the introduction of a common currency (see Currency area). According to this theory, countries are well-suited for a monetary union if they either no longer need exchange-rate changes due to their largely synchronous economic development or have alternative adjustment mechanisms at their disposal. Such alternatives include: labor mobility, wage flexibility, capital mobility, and financial equalization systems. The conclusions to be drawn from the theory of optimum currency areas for the Economic and Monetary Union of the European Union (EMU) are controversial even among experts in the field. Optimists point to the high degree of synchronicity in economic activity observable since the introduction of the integrated European single market. Pessimists, by contrast, take a skeptical view, arguing that a monetary union of 17 countries with pronounced structural differences lacks a sufficient degree of labor mobility, wage flexibility or financial equalization systems. (See also Internal market, Economic and Monetary Union [EMU], Business cycle, Currency area)
Tier 1 capital (ratio)	Tier 1 capital is the core capital of a bank, consisting mainly of equity and retained earnings. The tier 1 capital ratio is the ratio of Tier 1 capital to its risk-weighted assets of a bank and serves as a measure of financial strength of the institution. The Basel Committee on Banking Supervision defines criteria for Tier 1 capital as well as for the weighting of risky assets and uses Tier 1 ratios for formulating minimum capital requirements in “Basel III”.
Transaction costs	Generally speaking, transaction costs are all costs incurred within the context of economic transactions, especially currency-related exchange, hedging and information costs in international merchandise trade. Before the introduction of a single currency, transaction costs placed a burden on the European economies. The elimination of these costs since the launch of the euro has had a favorable effect on export activity and economic growth. After all, a large share of eurozone countries' exports is shipped to other member states. Exchange costs for eurozone citizens likewise disappeared upon the introduction of euro banknotes and coins in 2002, e.g. for tourists taking a trip to another eurozone country. (See also Economic and Monetary Union [EMU])
Transmission mechanism	The transmission mechanism of monetary policy describes how monetary-policy measures (e.g. changes in key interest rates) affect macroeconomic variables (such as the price level, output and employment). Since the transmission of monetary-policy measures can occur across different channels (credit channel, expectation channel, etc.) and is subject to unknown time lags, the type and extent of these effects on the economy and the price level are often uncertain. (See also Bank lending channel, Balance-sheet channel, Expectation channel, Credit channel, Exchange-rate channel)
Treasury bill (T-bill)	Treasury bills are money-market instruments issued by the US federal government for short-term borrowing of funds. They can have maturities of up to one year and are mostly issued in denominations of $10,000 up to $1 million with a discount determining the interest rate of the paper (the discount is the reduction from the nominal value, and the difference between the discounted purchase price and the nominal value corresponds to the return). Treasury bills are used regularly by the Federal Reserve in its open market operations. (See also Federal Reserve, Money market paper, Open market operation)
Treasury bond	Treasury bonds are long-term debt instruments issued by the US federal government. Like their German counterparts, Bundesanleihen or Bunds, Treasury bonds have maturities of 10 to 30 years. They are issued in denominations of at least $1,000 and nominal interest payments are made semiannually. (See also Bundesanleihe)
Treasury note	Treasury notes are medium-term debt instruments issued by the US federal government. Their maturities fall between those of Treasury bills and Treasury bonds and thus range between 1 and 10 years, with denominations starting at $1,000 and nominal interest payments being made semi-annually– as is the case for Treasury bonds. (See also Treasury bill, Treasury bond)
Trend	A trend can be described as a function of time representing the basic direction of the development of a time series. Such basic direction is assumed to be sustained over a longer period and generally be influenced only by underlying structural causes – i.e. seasonal or working-day-induced and random changes have been eliminated from the time series by means of time series analysis. A trend does not necessarily have to show steady growth, but may include upward and downward movements. When deviations from the trend recurrently show a tendency to revert to the trend, this is called a deterministic trend. The opposite is a stochastic trend, where deviations from the trend do not show any tendency toward reversion. (See also Seasonal adjustment)
Troika	The troika is the monitoring committee comprising representatives of the International Monetary Fund, the European Central Bank and the European Commission, which was formed in response to the financial crisis in 2009. This body monitors compliance with the conditionality of the bilateral loans provided by other member states or the financial support granted by the European Stability Mechanism (ESM). (See also European Commission, European Stability Mechanism [ESM], European Central Bank, International Monetary Fund)

Troy ounce	The troy ounce is a unit of measurement used for calculating the weight of precious-metal content (gold, silver, platinum or palladium). One troy ounce equals 31.10 grams. The troy ounce is not to be confused with the regular ounce, which has a lower weight of 28.35 grams.
TTF (NL)	Title Transfer Facility, the central trading location for natural gas in the Dutch market.
U	
ULSD	Ultra low-sulfur diesel, a diesel-fuel variety.
Unconventional oil	The term "unconventional oil" is used to describe oil reserves that can be converted into a product matching the quality of common conventional crude oil varieties such as Brent and WTI only after application of sophisticated extraction and refining processes. This category includes heavy oils, oil sands, and oil shales. Extraction of unconventional oil often presupposes a high price level and/or a technological leap.
Underlying	The financial instrument (e.g. share, index or basket) on which a warrant is based and for which the relevant option grants the right to buy (calls) or sell (puts). (See also Shares [stocks])
Unemployment rate	Number of jobless as a percentage of the working population.
Unit labor costs	Unit labor costs measure the cost of labor for a single unit of output (e.g. products or services). To calculate labor costs at the enterprise level, the labor costs incurred by a business are divided by the number of units produced. Unit labor costs are thus frequently used as an indicator of a company's competitiveness. Similarly, unit labor costs permit conclusions about a country's price competitiveness from a macroeconomic perspective. Unit labor costs thus depend not only on wage levels, but also on labor productivity. Rising/falling productivity leads to falling/rising unit labor costs. Apart from productivity gains, there are also other ways of reducing unit labor costs: substitution of labor with production machinery (more capital-intensive production). However, this approach does not necessarily improve competitiveness.
USGC	US Gulf Coast, region in the United States with access to the Gulf of Mexico.
UST (US Treasuries)	US government bonds
V	
Velocity of circulation of money	The velocity of circulation of money indicates how often money passes from one holder to the next and is used to pay for goods and services per period. The faster money is passed on by the population, the higher the velocity of circulation. As the velocity of circulation of money describes the ratio of the aggregate turnover of goods (e.g. the nominal gross domestic product) to the money supply (usually the M1 or M3 monetary aggregates), an increase/reduction in the velocity of circulation has the same impact as an increase/reduction in the money supply in the economy in question in the time period analyzed. In addition, further factors such as payment habits, technical advances in payment systems and, above all, the interest-rate situation influence the velocity at which money circulates in an economy. (See also Gross domestic product [GDP], Money supply, M1, M3)
VIX (Volatility Index)	The VIX is a measure of the volatility expectation for index options on the Standard & Poors 500 equity index. It is calculated in real time by the CBOE = Chicago Board Option Exchange and published via the ticker symbol VIX.
W	
WAF	West Africa, usually used to designate crude-oil producers Nigeria and Angola.
Wage-price spiral	A wage-price spiral is a process of mutual feedback effects between rising wages (rising prices are cited as a rationale for higher wage demands) and rising prices (price increases are justified by higher wage costs). Continued wage-and-price increases trigger an upward spiral and are a potential cause of inflation. (See also Inflation, Price-wage spiral)
W BGK	with Polish Development Bank (Bank Gospodarstwa Krajowego)
West Texas Intermediate (WTI)	West Texas Intermediate (WTI) is the US counterpart to Europe's Brent Crude. The "light" (low density), "sweet" (low level of sulfur) crude oil grade from the United States is particularly suited for the production of gasoline, diesel, kerosene or heating oil. The prices of both crude oil varieties are used as major benchmarks for the entire oil market. (See also Brent crude)
W PFR	with Polish Development Fund (Polski Fundusz Rozwoju)
WSJ	Wall Street Journal
Working population	The working population (labor force) consists of all individuals in a national economy who are gainfully employed or seeking jobs at a certain point of time. Put in simple terms, the working population is the sum of gainfully employed and unemployed persons. Inactive persons (school-age children, students and pensioners) are not counted among the working population. (See also Unemployment rate)
World Bank	Alongside the decision to set up the International Monetary Fund (IMF), one major achievement of the Bretton Woods Conference held in July 1944 was the establishment of the World Bank. Its mission was to encourage reconstruction after World War II and ensure a stable currency regime in cooperation with the IMF. Since the 1960s, the World Bank's key task has been to promote the economic development and quality of life of people in developing countries through financial aid and consultancy. (See also Bretton Woods Conference, International Monetary Fund)
Z	
Zero-coupon bond	Zero-coupon bonds are defined as debt securities that do not distribute any interest payments during their life. Instead, the entire amount is paid either as a discount on the purchase price at the beginning of the bond's life or as a mark-up on the redemption amount upon maturity.
Z-value	Term from statistics. It means a transformed variable so that its expected value is zero and variance is 1. It is the difference between the current value and the average value divided by the standard deviation of the variable over a given horizon.

Source: German Federal Agency for Civic Education, Deutsche Bundesbank, German Institute for Economic Research, German Federal Statistical Office (Destatis), Eurostat, ECB, Federal Reserve, OECD, UniCredit Research