Research Glossary

Technical Analysis

Our technical analyses assume that investors generally respond similarly to identical events, and these responses are reflected in price movements. By analyzing charts formed by price movements – based on the repetition of past reactions – we can assume expected investor behavior. Technical analysis focuses solely on the patterns of price changes and does not deal with their causes. To forecast these changes, it uses patterns, candlestick formations, indicators, etc. Since the probability of repeating patterns observed in the past is relatively high, this theory is suitable for making trading decisions.

Brief descriptions of terms used in analysis:

ADX Indicator: Shows whether the movement is trending. It does not indicate direction, only the strength of the movement.

Downtrend: A sequence of lower highs and lower lows.

Double Top: Bearish reversal pattern with two peaks at a similar level after an uptrend; confirmed when price breaks below the trough between the peaks.

Resistance: A price level or zone that pushes the price downward from above.

Uptrend: A sequence of higher highs and higher lows.

Candle: Short for Japanese candlestick chart. A candle for a given time interval (e.g., daily) is drawn from four values (open, high, low, close), indicating whether the price rose or fell during that interval.

Historical Level: A prior swing high/low that may influence current price action as prospective support/resistance.

Breakout: A decisive move through support/resistance (ideally with volume expansion). Successful breakouts often see follow-through.

Consolidation: A range-bound pause that digests the prior trend; typically resolves in a breakout/breakdown.

Correction: A reversal of a one-way movement into the opposite direction.

Long / Short: Directional exposures aiming to profit from price increases (long) or declines (short).

RSI (Relative Strength Index): A 0–100 oscillator (often 14 periods). Above ~70 = overbought, below ~30 = oversold – context dependent, not signals in isolation.

Range Trading: Trading within a well-defined interval between support and resistance.

Stop Level (Stop-Loss): A pre-set exit designed to cap downside; triggering position closure even at a loss.

Support: A price level or zone that holds the price and halts declines.

Oversold: A condition following excessive downward movement, indicated by extreme momentum readings, typically followed by a rise.

Overbought: A condition following excessive upward movement, indicated by extreme momentum readings, typically followed by a decline.

Retest: After a break, price often revisits the broken level (throwback/pullback) to validate before continuing.

Fundamental Analysis

Fundamental analysis helps determine whether a company or its stock is undervalued or overvalued relative to its intrinsic value and peers, considering macroeconomic and industry outlooks. A company's fair value equals the present value of its future cash flows, calculated using fundamental valuation models. Relative valuation versus peers is assessed using widely used ratios, while factor models rank companies based on financial metrics.

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Brief descriptions of terms used in analysis:

DDM (Dividend Discount Model): Present value of a company's future dividend payments, used to determine the stock's intrinsic fair value.

Factor Model: OTP Multi-Asset Research's factor model ranks stocks in major indices (e.g., S&P 500) based on multiple fundamental variables (volatility, size, valuation, momentum, profitability, quality). Scores range from 0 (best) to 100 (worst).

Dividend Yield: Dividends per share (specify trailing or forward) divided by current share price.

Market Capitalization: Current share price multiplied by shares outstanding.

P/E (price to earnings): Current share price divided by earnings (specify trailing or forward).

P/B (price to book): Current market price divided by average book value per share.

P/S (price to sales): Current market price divided by revenue. (specify trailing or forward).

EV/EBITDA (Enterprise Value to EBITDA): EV = market cap + total debt – cash and minority interests. EBITDA = earnings before interest, taxes, depreciation, and amortization. This ratio accounts for differences in capital structure.

ROE (Return on Equity): Net profit divided by equity.

ROIC/WACC (Return on Invested Capital / Weighted Average Cost of Capital): ROIC measures profitability (after-tax operating profit divided by total debt + equity + adjustments). WACC is the average cost of capital. A ratio above 1 is desirable long term (averaged over several years for cyclical firms).

Competitors: Direct rivals and substitutes that constrain pricing power and share.

EPS: Net income to common / weighted average diluted shares