Commonly Used Notation

b	Retention or plowback ratio
C	Call option value
CF	Cash flow
D	Duration
E	Exchange rate
E(x)	Expected value of random variable *x*
F	Futures price
e	2.718, the base for the natural logarithm, used for continuous compounding
e_{it}	The firm-specific return, also called the residual return, of security *i* in period *t*
f	Forward rate of interest
g	Growth rate of dividends
H	Hedge ratio for an option, sometimes called the option's delta
i	Inflation rate
k	Market capitalization rate, the required rate of return on a firm's stock
ln	Natural logarithm function
M	The market portfolio
N(d)	Cumulative normal function, the probability that a standard normal random variable will have value less than *d*
p	Probability
P	Put value
PV	Present value
P/E	Price-to-earnings multiple
r	Rate of return on a security; for fixed-income securities, *r* may denote the rate of interest for a particular period

r_f	The risk-free rate of interest
r_M	The rate of return on the market portfolio
ROE	Return on equity, incremental economic earnings per dollar reinvested in the firm
S_p	Sharpe ratio, also called the reward-to-volatility ratio; the excess expected return divided by the standard deviation
t	Time
T_p	Treynor's measure for a portfolio, excess expected return divided by beta
V	Intrinsic value of a firm, the present value of future dividends per share
X	Exercise price of an option
y	Yield to maturity
α	Rate of return beyond the value that would be forecast from the market's return and the systematic risk of the security
β	Systematic or market risk of a security
ρ_{ij}	Correlation coefficient between returns on securities *i* and *j*
σ	Standard deviation
σ^2	Variance
$Cov(r_i, r_j)$	Covariance between returns on securities *i* and *j*