

Question 1: In order to achieve my financial goals, the stock I would like to invest is high dividend stock. The reason behind is that I aim to use the dividend income to reinvest in variety source of investment rather than stock market. This way, my portfolio will gain diversify benefit from this plan since dividend is usually less volatile than capital gain income. I believe that if I keep reinvest the dividend income on other source of investment, I would be succeeded to acquire my retirement goals according to Time Value of Money that the future value (money that I will acquire when retirement) will be high from my PMT (my reinvestment amount). Moreover, this investment plan is considered safe since my portfolio will be greatly diversified and normally high dividend stock's price are usually low volatile.

Question 2: The relationship between earnings and market stock value is that the stock market value is driven by earning and promise of future earnings. In order to quantify its relationship, P/E ratio is widely adopted among the investors. P/E ratio can be calculated by dividing price of a stock by its earning per share. P/E ratio implies how much the investor must pay in order to capture 1 unit of earnings. Therefore, lower P/E ratio usually seems attractive in investor's view since it seems to be undervalued however, in some cases, lower P/E ratio doesn't mean the stock is undervalue but it is low because poor performance of companies to generate the earning. Moreover, P/E ratio can imply investor's expectation towards future earnings of companies. In conclusion, if the earning and P/E of a company stays low for a long period of time, investor would likely to sell the stock which will drive the price to decrease. Furthermore, if the P/E ratio of companies are extremely high when the market expects the company to make its fortune in the future. If the companies are succeeded, its earning will dramatically increase and P/E ratio will return to normal stage but it the companies are failed, the investor will heavily sell the stock and the price will go down so the P/E ratio will decrease as well.

Question3: The difference between primary market and secondary market is that the premarket is where the investor purchase the stock from the companies issuing the stock its selves. Normally, primary market refers to IPO (Initial Public Offering) when the companies first issue its stock to the equity market. In the other hand, secondary market is where the investor make a transactions of a stock whether to sell or buy with another investors within the stock market for example SET (Stock Exchange of Thailand)

Question4: The total return of this investment is

$$\frac{[(38 \times 100) - 42] - [(31.5 \times 100) + 28]}{(31.5 \times 100) + 28} = 18.25\%$$