Why Corporate Issue Stock? Why do investor buy Stock?

Corporate issued stock to raise money to maintain the stability in the company. There are many methods in raising money in the company, either by issuing stock or issuing bond. Issuing stock is listed in equity financial. When issuing stock comparison to bond, the corporate does not has to pay back interest to the investor unlike corporate bond. But corporate needed to pay for dividend if the company earns profit. Investor whose invested in the company stock hope for an excess return due to the growth they forecast in the company. Furthermore, most investor expect a high profit margin during the initial offering of the company stock or IPO.

How do interest rate in the economy affect the price of corporate bond?

Bond prices move inversely to interest rates. When interest rates go up, bond prices go down and when interest rates go down, bond prices go up. As an example,

Bond Price = 10,000
Maturity = 5 years
YTM= 5%
Paid once a year

If suppose market interest rate increase to 6%, who will be willing to buy a bond that yield lower than interest rate.

How important is the investment objective as stated in the fund's prospectus?

Mutual fund prospectus is very important, it help you understand the complexity of detail in your investment. Each mutual funds have different goal and objective, in which investor should pay close attention. Risk and default rate of each funds are different, due to the allocation in investment. Some people who are risk averse might not want to invest in mutual fund whose allocate their investment in FOREX, on the other hand risk lover investor would love to allocate their investment in mutual who invested higher percentage in FOREX.