

1. Which type of stock could help you obtain your investment and financial goals? Justify your choice?

- Assuming that I'm a risk averse person, the types of stock I would invest in are both preferred and common stock with weighting more on common stock. I would buy preferred stocks of companies that have great retained earnings with worsen financial bases. Otherwise, I would basically buy common stocks of SET50 or 100. Until I get used to movements of the market, small stocks and derivative are further things I would consider as they provide better returns.

2. Explain the relationship between earnings and a stock's market value.

- Stock prices respond to EPS under the different level of growth rate of operating revenue. The empirical result indicated that the co-integration relationship existed between stock prices and EPS in the long-run. Furthermore, the firm with a high level of growth rate, EPS has less power in explaining the stock prices; however, for the firm with a low level of growth rate, EPS has a strong impact in stock prices.

3. What is the difference between the primary market and the secondary market?

- The difference between the primary capital market and the secondary capital market is that in the primary market, investors buy securities directly from the company issuing them, while in the secondary market, investors trade securities among themselves, and the company with the security being traded does usually not participate in the transaction.

4. Calculating Total Return. Tammy Jackson purchased 100 shares of All-American Manufacturing Company stock at \$31.50 a share. One year later, she sold the stock for \$38 a share. She paid her broker a \$28 commission when she purchased the stock and a \$42 commission when she sold it. During the 12 months that she owned the stock, she received \$160 in dividends. Calculate Ms. Jackson's total return on this investment.

- initial investment = 100 shares * \$31.5 = \$3150 + commission \$28 = \$3178
sales price of investment = 100 shares * \$38 = \$3800 - commission \$42 = \$3758
received dividend = \$160 over a year ; current return
capital gain = 3758 - 3178 = \$580
total return = 160 + 580 = \$740