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Assignment 5

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

blue-chip stocks because it is not very fluctuate and and give a solid dividend normally, so it is quite predicable and stable.

Also the growth stocks. Since it is the stock of the new company that has opportunity to grow, which i can make much capital gain.

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

to find the actual return that you gain from stock you need to use the relative comparison by set the earning divided by stock's market value. Therefore, when the stock's market value is high, the actual return will be decreased.

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

Primary market is where the investors buy the financial securities directly from the company that issue those securities. While secondary market is where the investors could trade those scripts among themselves.

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.

purchased 100x31.50 =	3150
purchased commission	+ 28
total cost	3178

selling 100x38 =	3800
total cost	-3178
capital gain before selling commission	622
selling commission	- 42
net capital gain	580
dividends	+ 160
total return	740