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

Earnings do drive stock prices. the effect of earnings' yield and stock's market value on expected returns is substantially more complicated. When company earning increase it cause the investor have a chance to buy stock in a more cheaper valuation. when it showed low earning, investor will willing to sell stock which make stock price drops.

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

Actually, my plan of investment is to invest in bond securities, because I didn't like to invest in risky investment. But if, choosing to invest in stock, my first thought is to invest in Stock that have favorable net debt position and are improving their net margins by going through every balance sheet and income statement. Moreover, keeping diversification will be keep in my mins. In this case I decided to buy Blue chip stocks which tend to stable even during the recession, so it is considered as a safe investment

3. What sources of information would you use to evaluate a stock issue?

- Annual Report
- Market Price
- Trend of price
- Dividend payout ratio
- Corporate news

4. **What is the difference between the primary market and the secondary market?**

Markets are for trading newly issued stocks ,which investors and traders can buy new initial issued of securities directly from the company issuing. Secondary markets are for trading the stock that already in the market which is not first issue.

5. **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.**

Cost when Purchased

Return when sold :	100 share @ 31.5$	= 3,150$
	100 shares @38$	= 3,800$
	(+) commission	= +28$
	(-) Commission	= -42$
	Total investment	= 3,178$
	Total return	= 3,758

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Transaction Summary
Total return
3,758$
(-) Total investment
-3,178$
Profit form stock sales
580$
(+) dividend
+160$

Therefore, the total return on this investment would be the capital gain + dividend = (\$3,758-\$3,178) + \$160 = \$740.