Explain why individuals should specify investment goals and understand sources of...

Business

Investment in Stocks Investing in the capital markets is one of the trickiest but most rewarding investment options the world over. Billions of shares are traded daily across different trading platforms. To invest one must first understand common terms used in these markets.

The common terms include; stocks/shares, mutual funds, bonds, annuities, capital gains and dividends. A share is used to define the unit of ownership by an investor in a listed company. A share has a par value and market value. The difference between the par value and market value is a profit known as capital gains. Mutual funds on the other hand are collective funds in which individual contributions are pooled together as one and invested in a financial instrument. Mutual funds are less risky since the risk is diversified between owners and different instruments. Mutual funds are invested in buying stocks, currency exchange and bonds.

Bonds on the other hand, are units of debt held by an individual for claim against an invested amount. Bond is a form of lending that earns interest to the holder. The company is expected to pay interest yield upon maturity of the agreement. An annuity refers to yearly payments or receipts on an investment while dividends are shares of profits divided amongst shareholders at the end of a trading period according to the number of shares owned.

Before investing, it is important to understand the goal for investment. This allows you or an investment advisor to suggest the best investment plan for your plans since different investments have different return spreads and risk. In knowing your goals, it will also allow one to know their risk appetite before investment. The main reason of understanding the source of risk is to enable one know where to invest in order to diversify their investment portfolio. It helps one avoid placing their eggs in the same basket to avoid losses.

In my watch list I have listed Coca- Cola (KO), ExxonMobil (XOM) , Merck (MRK) Tupperware (TUP), Washington Real Estate Investment Trust (WRE), Apple Inc.(AAPL), Twenty first Century Fox(FOXA), American Airlines(AAL), Bank of America(BAC) and Google Inc.(GooG). Coca-Cola is the leading supplier of soft drinks yet to be rivalled in the world by any company which makes it a safe company to invest in for it goodwill and market share.

Bank of America and Apple Inc. have entered into a partnership for the apple pay mobile service. The new product is set to boost performance of both stocks as demand for the new product increases. With the launch of the new Apple 6 gadget, Apple Inc.’s profits are set to rise providing speculative options for an investor.

American Airlines on the other hand has an unrivalled market share across continents. With the new merger between it and U. S Airlines for cargo shipment, future profits are set to increase to an excess of $800 million in a year. This combined with an increased demand for American goods across the world offers a stable and consistent share option. For FOXA, the new technological advancement in 3D and 7D cinemas has increased viewership and increased profits. Coupled with an oncoming festive season and movie releases, FOXA offers a short-term speculative share option for an investor looking to buy and sell in the short period.

References

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