

Foreign security analysis

[Finance](#)



Buy and Hold Buy-n-hold is an investment strategy where an investor buys stocks and then holds them for some time regardless of the changes in the market.

Question 1.

Open Positions.

Question 2.

€ 0. 9183

\$27. 85694

Question 3. a).

value

Margin loan

\$

\$

Buy stock for 53% (33328. 4)

\$33328. 4

-\$16664. 2

\$16664. 2

53%

Stock fail to 48% (30184. 2)

\$30184. 2

-\$16664. 2

\$7998. 8

48%

Brokerage firm requirement 30%

\$30184. 2

-

\$9055. 26

30%

Margin call

\$1056. 46

The brokerage firm may sell assets in the portfolio without even consulting you. The brokerage firm has a right to sell all the shares, leaving no any balance of shares, yet still owing money. From the above calculations, it is advisable to take a lower level margin debt since it has a less risk

(Investinganswers. com). This leads to a lower margin call. Also, on the same point, a diversified portfolio helps to mitigate the chances of a margin call.

Question 3B

If the margin call is received, it means that the investor losses a 48% of his cash investments and he or she have to pay back the margin loan in addition to the interest. Therefore, in the above calculation, the investor will pay both the loss and the interest.

$\$16664. 2 + \$9055. 26 = \$25719. 46$

Question 4.

a).

value

Margin loan

\$

\$

Initial stock 61% (36304. 15)

\$36304. 15

-\$18152. 075

\$18152. 075

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61%

Stock fail to 53%

\$31542. 95

-\$18152. 075

\$9620. 6

53%

Brokerage firm requirement 30%

\$31542. 95

-

\$9462. 9

30%

Margin call

-\$1577

A negative margin call shows that the investor will not access his or her account until he or she converts the account to positive (Forest 3). On the side of the brokerage firm, he or she will pay nothing since the investor has a negative margin call.

B). The margin call is a negative meaning the investor will not pay anything.

Question 5.

i) Return to the Foreign long margined stock position

ii) return to the domestic short stock position

iii) Return on the foreign currency

Trading portfolio

1) BABA currency USD price paid 83. 91

ITOT currency USD price paid 96. 78

AAPL currency USD price paid 128. 79

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TSLA currency USD price paid 197. 64

ESI currency USD price paid 7. 30

2) I have selected these because they are the most recent and they give us the variations that are needed to analyze the market.

3) I have done five open positions trades.

4) I have not traded in any bonds or any other securities.

5) The analyst report provides that a standard system is maintained since brokers have different rating systems. The rating ranges from 1 to 5. This means from 1 we have a strong buy to one where we have a strong sell (Investinganswers. com). I agree with the analyst since it is evident from the ranking of the industry. The industry is ranked 12.

6) a) net profit margin = net income/ sales revenue

$$= 14,444/66001 = 0.219$$

$$= 12920/59825 = 0.216$$

$$= 10737/50175 = 0.214$$

Profit margin is low in the three stocks, hence, ineffective at converting revenue into actual profit.

b) Total asset turnover = sales/total assets.

$$= 14444/131133 = 0.11$$

$$= 12920/110920 = 0.138$$

$$= 10737/93798 = 0.114$$

The company has a high total asset turnover hence a good indication in using the assets efficiently.

c) Leverage Multiplier = total assets/stockholder's equity

$$= 131133/104500 = 0.125$$

$$= 110920/87309 = 1.27$$

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$$= 93798/71715 = 1.308$$

d) = net income/shareholders' equity

$$= 14444/104500 = 0.138$$

$$= 12920/87309 = 0.148$$

$$= 10737/71715 = 0.15$$

7. The stocks for the year 2014.

8. For the current year, the amount of equity employed is \$131133000

Account statement.

The number of trades placed is 300.

Works Cited

Forest, Dave. "The Simple Strategy That's Never Lost Money." *Investing answers* (2014): 1-4. 29 3 2015. .