

# High return stocks, low return stocks, and

Finance



## A False Regime of Financial Philosophy of Attaching Higher Risk with Higher Return A False Regime of Financial Philosophy of Attaching Higher Risk with Higher Return

The economic climate and political one are intertwined in nature, and therefore, it is very important to keep a close eye on level of political power that companies have at any given time. The world of business is already filled with the countless instances of accounting irregularities. The investors cannot simply trust what market dynamics tell them because they have to treat everything as a lie before the information checks out (Vernon, 1966). However, most of the companies use advertisement as the means of cultivating positive intentions and hopes in the customers, and the same technique is applied to lure the investors into investing with them.

The smaller companies do not have significant level of brand power at their disposal so they have to create confidence in the shareholders by following traditional and ethical practices in business. They know that the investors will leave them at the first sign of trouble so they attempt to under-promise and over-deliver. The larger multinationals have an advantage regarding economies of scale (Fry, 1990), and therefore, their rates of return appear to be significantly attractive than those of smaller companies. The excessive money supply moves into the deep pockets of the multinationals because investors expect to reap higher returns from them without doing market research of their own.

The larger companies made wise investment decisions in order to reach their current level of organizational growth, and therefore, it is usually a safe bet to entrust them with one's money. The companies pay returns in the shape of dividends, and one can analyze the corresponding payout ratios to <https://assignbuster.com/high-return-stocks-low-return-stocks-and/>

calculate his or her earnings. The investors must keep their money with those companies that are paying dividends on a frequent basis with lower level of risk exposure.

#### References

Fry, M. (1990). Saving, investment, growth and the cost of financial repression. *World Development* Vol 8 (4), 317-327.

Vernon, R. (1966). International Investment and International Trade in the Product Cycle. *The Quarterly Journal of Economics* 80 (2), 190-207.