

Recommendations essays examples

[Business](#), [Marketing](#)



In the study of stock market prices, percentage change of interest and, the percentage change of market indices are key determinants in predicting the future performance of the stock market. When buying shares in the stock market, an investor usually compares the current price and, the future expected increase in price, which will result in profits. The future expected profit is usually calculated at the existing interest rates. Any future change in the interest will automatically have an impact on the future expected earnings. For instance, a rise in interest rate may result from inflation. As a result, future stock prices may fall since at a higher interest rate, one may invest a smaller amount in the stock market with future anticipation of profits. Moreover, rising interest rates may result in the fall of the discounted cost of upcoming dividends. Market indices also play a major role in tracking the performance of the stock markets. By keeping track of the patterns of market indices, the firm can understand the general attitude towards investing in the stock market.

International Investment Inc. chose to invest in Mexico, Sweden, United Kingdom and Australia due to the economic performance of the countries. After reviewing the economic indicators of these countries, the firm decided to invest in their stock markets. The performance of these stock markets is determined by the economic indicators such as unemployment and, interest rates. The interest rates in these countries are favorable meaning there is stability in the stock market prices. Additionally, the economic performance of these countries with regards to inflation and gross national income are also stable, thereby providing a good indicator to the performance of their stock markets. Hence, it was wise for the firm to invest in the stock markets

of these countries.

The firm chose not to invest in Japan, Switzerland and Thailand due to their recent economic performances. For instance, the economic recession experienced in Japanese economy had negative effects on its stock market. This had ripple effect on some European economies such as Switzerland and, to a greater extension, Thailand, since they are trading partners.

The United States of America is the largest economy in the world. Its economy relies on other economies to attain stability. However, major European nations, who are her trading partners, are gradually heading into recession. An economic recession is bad news for the stock market since spending will go down and, profits will decline. Therefore, it would not be advisable to invest in the US stock market.