

# Fin 301 slp module 02 (walmart)



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Fin 301 SLP Module 02 (Wal-Mart) From the company performance analysis in last five years, it is observed that the share price of Wal-Mart has been fluctuating to some extent resulting in a lot of variation in the share price. However, from the beginning of this year (2008) the share price has been continuously going up from \$48 to \$59 since the last 6 months so the future price of 100 shares of Wal-Mart will probably be \$63 per share and the price of 100 shares would be \$6300. The \$63 per share price is very much predictable as the share price of Wal-Mart has a very fluctuating value since the last five years so that's why the price of 100 shares after one year will be higher but not very high due to lot of fluctuation in price but it will go higher as we can see the trend of the price since the last 6 months it is going up. By analyzing the trend of the share price it is expected that the price of Wal-Mart shares will go up but it will not go very high. This is because, from the past record, we have seen that the Wal-Mart share prices have been fluctuating but overall they have moved in a positive direction. That is why the prices will go up in a year and the future price of the shares will be much higher than of today's price. The stock price is a little bit risky because of the fluctuating price that we have seen in the previous years so there is a risk involved in investing money in Wal-Mart shares because the return on investment is relatively high but the risk level is also high due to wild ups and downs in share price of Wal-Mart.

There are lots of other investments that we can do in order to have a fixed rate of return or a positive return on our investments. We can invest in a treasury bond which is giving a constant return of 4% per year on our investments and there is no risk involved in investing in a treasury bond as it is issued by the government and we have a guaranteed rate of return

because government cannot be bankrupt. Investing in a Treasury bond will save our investment but the return is low as there is no risk involved in it. On the other hand if we invest in Wal-Mart shares there is a risk involved in it but there is higher return while investing in Wal-Mart stocks.

Although investing in a Treasury bond would give us secure returns but it would not yield high returns. Investing in Wal-Mart shares will increase our investment so the future value of shares will be higher as we have stated earlier and if we buy future shares we will get a good return on our investment.

As the performance of Wal-Mart is outstanding in the last six months we can expect a good return on our investment from which we will buy future shares of the company. The risk involved in Wal-Mart shares will give us a good and positive return on our investment if we buy the future shares.

SOURCE:

1. John Downes, Jordan, Elliot Goodman. Barrons Finance & Investment Handbook. Barrons Educational Series, 2003.