

FIN4634 Course Project International Investing Project

This project helps you to understand the factors that influence the performance of MNCs and foreign stocks. The focus in grading this project will be on the explanations provided by you, not on the movements in the stock prices or exchange rates.

This is a project to be completed by the end of the semester (see due dates in Class Schedule). To ensure you are working on this project during the term you will be asked to provide weekly updates. These updates are part of your grade.

This project allows you to learn more about international investing and about firms that compete in the global arena. You will be asked to create a stock portfolio of at least two U.S.-based multinational corporations (MNCs) and two foreign stocks. You will monitor the performance of your portfolio over the school term. The explanations will offer insight into what is driving the valuations of the U.S.-based MNCs and the foreign stocks over time.

Select two stocks of U.S.-based MNCs that you want to include in your portfolio. If you want to review a list of possible stocks or do not know the ticker symbol of the stocks you want to invest in, go to the website <http://biz.yahoo.com/i/>, which lists stocks alphabetically, or to <http://biz.yahoo.com/p/>, which lists stocks by sectors or industries. Make sure that your firms conduct a substantial amount of international business.

Next, select two foreign stocks that are traded on U.S. stock exchanges and are not from the same foreign country. Many foreign stocks are traded on U.S. stock exchanges as American depository receipts (ADRs), which are certificates that represent ownership of foreign stock. ADRs are denominated in dollars, but reflect the value of a foreign stock, so an increase in the value of the foreign currency can have a favorable effect on the ADR's value. To review a list of ADRs in which you may invest, go to www.adr.com. Click on any industry listed to see a list of foreign companies within that industry that offer ADRs and the country where each foreign company is based. You should select ADRs of firms that are based in any of the countries shown on the website <http://finance.yahoo.com/intlindices>. Click on any company listed to review background information, including a description of its business and its stock price trend over the last year. It is assumed that you will invest \$10,000 in each stock that you purchase.

List your portfolio in the following format:

U.S.-BASED MNCs			
NAME OF FIRM	TICKER SYMBOL	AMOUNT OF YOUR INVESTMENT	PRICE PER SHARE AT WHICH YOU PURCHASED THE STOCK
		\$10,000	
		\$10,000	

FOREIGN STOCKS (ADRs)				
NAME OF FIRM	TICKER SYMBOL	COUNTRY WHERE FIRM IS BASED	AMOUNT OF YOUR INVESTMENT	PRICE PER SHARE OF ADR AT WHICH YOU PURCHASED THE STOCK
			\$10,000	
			\$10,000	

You can easily monitor your portfolio using various Internet tools. If you do not already use a specific website for this purpose, go to <http://finance.yahoo.com/?u> and register for free. Follow the instructions, and in a few minutes you can create your own portfolio tracking system. This system not only updates the values of your stocks, but also provides charts and recent news and other information on the stocks in your portfolio.

Evaluation

For the Course Research paper you should evaluate the performance and behavior of your stocks.

1.

Determine the percentage increase or decrease in each of your stocks over the period of your investment and provide that percentage in a table like the one below. In addition, offer the primary reason for this change in the stock price based on news about that stock or your own intuition. Was it because of the markets where your firms do their business or because of firm-specific conditions? To review the recent news about each of your stocks, click on <http://finance.yahoo.com/?u> and insert the ticker symbol for each firm. Recent news is provided at the bottom of the screen.

NAME OF FIRM	PERCENTAGE CHANGE IN STOCK PRICE	PRIMARY REASON
1.		
2.		
3.		
4.		
Portfolio (average)		

2.

Determine whether the performance of each of your U.S.-based MNCs is driven by the U.S. market. Go to the site <http://finance.yahoo.com/?u> and insert the symbol for your stock. Once the quote is provided, click on Chart. Click on the box marked S&P (which represents the S&P 500 Index). Then, click on Compare and assess the relationship between the U.S. market index movements and the stock's price movements. Explain whether the stock's price movements appear to be driven by U.S. market conditions. Repeat this task for each U.S.-based MNC in which you invested.

3.

a. Determine whether the performance of each of your foreign stocks is driven by the corresponding market where the firm is based. First, go to the site <http://finance.yahoo.com/intlindices?u> and look up the symbol for the country index of concern. For example, Brazil's index is ^BVSP. Next, go to the site <http://finance.yahoo.com/?u> and insert the symbol for your stock. Click on Chart; at the bottom of the chart, insert the corresponding market index symbol (make sure you include the ^ if it is part of the index symbol) in the box. Then, click on Compare and assess the relationship between the market index movements and the stock's price movements. Explain whether the stock's price movements appear to be driven by the local market conditions. Repeat this exercise for each foreign stock in which you invested.

b. Determine whether your foreign stock prices are highly correlated. Repeat the process described above, except insert the symbol representing one of the foreign stocks you own in the box below the chart.

c. Determine whether your foreign stock's performance is driven by the U.S. market (using the S&P 500 as a market proxy). Erase the symbol you typed into the box below the chart, and click on S&P just to the right.

4.

a. Review annual reports and news about each of your U.S.-based MNCs to determine where it does most of its business and the foreign currency to which it is most exposed. Determine whether your U.S.-based MNC's stock performance is influenced by the exchange rate movements of the foreign currency (against the U.S. dollar) to which it is most exposed. Go to www.oanda.com and click on FXHistory. You can convert the foreign currency to which the MNC is highly exposed to U.S. dollars and determine the exchange rate movements over the period in which you invested in the stock. Provide your assessment of the relationship between the currency's exchange rate movements and the performance of the stock over the investment period. Attempt to explain the relationship that you just found.

b. Repeat the steps in 4a for each U.S.-based MNC in which you invested.

5.

a. Determine whether the stock performance of each of your foreign firms is influenced by the exchange rate movements of the firm's local currency against the U.S. dollar. You can obtain this information from www.oanda.com. You can convert the foreign currency of concern to U.S. dollars and determine the exchange rate movements over the period in which you invested in the stock. Provide your assessment of the relationship between the currency's exchange rate movements and the performance of the stock over the investment period. Attempt to explain the relationship that you just found.

b. Repeat the steps in 5a for each of the foreign stocks in which you invested.

Write the research paper in APA format. This format includes: title page, identifying the subject, the authors, the course, professor, term and date. Following are the introduction, statement of objectives, narrative body, conclusion and finally the bibliography. If you need help with APA style there are excellent resources in the Florida National University Library. In addition, the following is a very good online resource: <http://owl.english.purdue.edu/owl/resource/664/1> . For help with citations visit <http://www.citationmachine.net/>. **Many students lose grade points because they do not take the trouble to structure, footnote or provide the paper and bibliography correctly in APA format; don't let this be you!** Excluding the title page and bibliography, your paper should be *four to six* pages in length double-spaced. Times New Roman, font size 12.