

Foreign Equity Is Good Or Bad



Foreign Equity

Issues floated by foreign companies in the domestic equity market.

Foreign direct investment is a direct investment into production or business in a country by an individual or company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country.



Foreign stocks can give you a high return, or wipe out your nest in a single bound



Vocabulary

Amidst: surrounded by; in the middle of.

Brokerage: a fee or commission charged by a broker.

Diversification: reducing non-systematic risk by investing in a variety of assets.

Intervention: interference by a state in another's affairs.

Collusions: an agreement between two or more parties, sometimes illegal and therefore secretive, to limit open competition by deceiving, misleading, or defrauding others of their legal rights, or to obtain an objective forbidden by law typically by defrauding or gaining an unfair market advantage.

Lumped: put in an indiscriminate mass or group; treat as alike without regard for particulars.

Grip: take and keep a firm hold of; grasp tightly.

Benefits of foreign stocks

- 1) The potential of higher returns in markets abroad is clear
- 2) Foreign stocks are becoming a steady part of investment portfolios amidst the recent U.S. recession that shows cracks in purely investing locally.
- 3) The investment and brokerage firm believes that having multiple currencies adds another layer of diversification, especially in a world economy scene, which, if you haven't noticed, is driven by other currencies other than the U.S. dollar.
- 4) Having foreign stocks in your nest means lowering the risk of losing money during a U.S. downturn.

Risks of foreign stocks

- 1) Scams should be the top reason to watch out for when buying foreign stocks. Finra offers tips on how to spot these scam stocks, notably the low-priced, high-yielding claims in the so-called China stocks.
- 2) Another risk is your diminished shareholder right pointed out by The Motley Fool. Understandably, U.S. laws don't apply in other countries. The accounting standards may be different.
- 3) Government intervention can happen. Worse, collusions between the companies' high-level players and government agencies can cost you lots of sleepless nights.
- 4) The Motley Fool has identified two of these scenarios that happened in Russia and China, but the same stories can happen everywhere, anyway.

Ways to buy foreign stocks

- 1) The most direct is to buy stocks in your target country as you would in the U.S. Whether you do it on your own or via a broker, the direct purchase is harder than it looks.
- 2) Another way is through mutual funds, such as Motley Fool's Epic Voyage Fund. The fund pools together investment from American individual stock players and seeks high-performing foreign companies in emerging markets,.
- 3) Yet another, and maybe less riskier, way to buy foreign stocks is opting for American depository receipts or ADR. Since many foreign companies especially the big ones also trade in U.S. stock markets, you can buy these equities without going out of the country.
- 4) It is easy to identify these foreign stocks; they have an "ADR" tag at the end. They are bought in large quantities by an American bank or an investment firm and lumped to create these ADR reissues for individual stock buyers.

CONCLUSION

Foreign stocks should just form a part of your overall investment portfolio. After all, the key to wise investment is to diversify, spread out the risks and potential to earn across various investment channels. Still, investing in foreign stocks has become a major undertaking by large investment groups, knowing that the U.S. economy is fast losing its grip as the only major economy in the world.

Conversation

- 1) Explain in brief about the presentation.
- 2) Are you engaged in foreign stocks right now?
- 3) What is your point of view on this topic?
- 4) Will you ever invest in foreign stock?

Reviewed By	Reviewed On	Comments / Changes Made
Ankita	09.09.2015	No changes made
Ruchika	29.02.2016	No changes made