International Management Studies

Class 3

September 18, 2025

Contents

I. Global Macro Issues

1. Persistent Inflation and Monetary Policy

Persistent inflation remains the most critical issue. While central banks have raised interest rates to combat rising prices, inflation is proving stickier than expected, particularly in advanced economies. This forces central banks to maintain restrictive monetary policies, which can slow economic growth and increase borrowing costs for businesses and consumers.
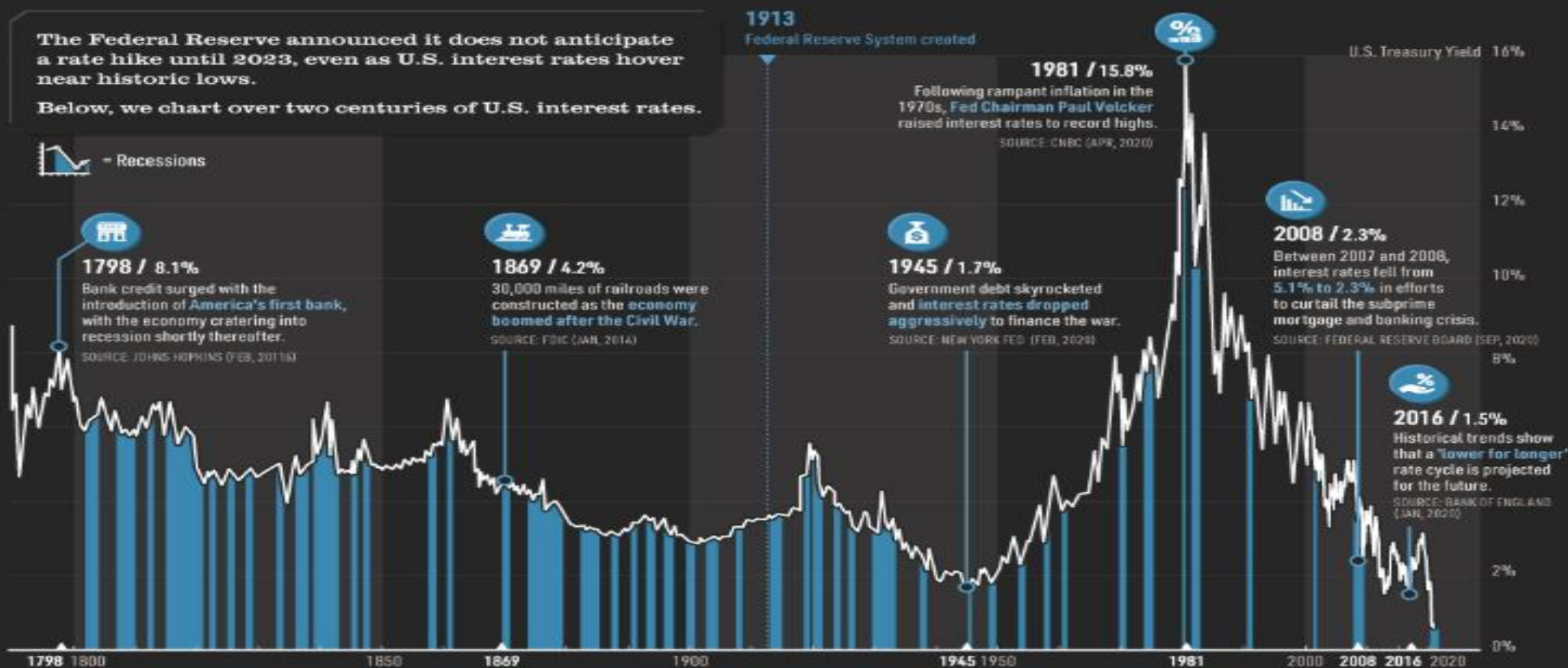
- **Impact:** High inflation erodes purchasing power, reduces real wages, and can lead to a wage-price spiral. It also increases the risk of a global economic slowdown or recession as central banks prioritize price stability over growth.

200 YEARS OF INTEREST RATES IN THE U.S.

The Federal Reserve announced it does not anticipate a rate hike until 2023, even as U.S. interest rates hover near historic lows.

Below, we chart over two centuries of U.S. interest rates.

= Recessions

1913
Federal Reserve System created

U.S. Treasury Yield

1981 / 15.8%
Following rampant inflation in the 1970s, Fed Chairman Paul Volcker raised interest rates to record highs.
SOURCE: CNBC (APR, 2020)

1798 / 8.1%
Bank credit surged with the introduction of America's first bank, with the economy cratering into recession shortly thereafter.
SOURCE: JOHNS HOPKINS (FEB, 2011)

1869 / 4.2%
30,000 miles of railroads were constructed as the economy boomed after the Civil War.
SOURCE: FDIC (JAN, 2014)

1945 / 1.7%
Government debt skyrocketed and interest rates dropped aggressively to finance the war.
SOURCE: NEW YORK FED (FEB, 2020)

2008 / 2.3%
Between 2007 and 2008, interest rates fell from 5.1% to 2.3% in efforts to curtail the subprime mortgage and banking crisis.
SOURCE: FEDERAL RESERVE BOARD (SEP, 2020)

2016 / 1.5%
Historical trends show that a "lower for longer" rate cycle is projected for the future.
SOURCE: BANK OF ENGLAND (JAN, 2020)

16% 14% 12% 10% 8% 6% 4% 2% 0%

1798 1800 · 1850 · 1869 · 1900 · 1945 1950 · 1981 · 2000 · 2008 2016 2020

SOURCE: GOLDMAN SACHS GLOBAL INVESTMENT RESEARCH VIA ISABELNET (MAY, 2019), FEDERAL RESERVE BOARD (SEP, 2020), NBER (JULY, 2020), NBER (1986), NBER (1928)

10-YEAR TREASURY YIELD

The 10-Year Treasury Yield is a prime mover for U.S. interest rates. It indicates the price of debt backed by the U.S. government, the country's safest issuer of capital.

On average, interest rate cycles have lasted 22-27 years.
SOURCE: LOUISE YAMADA VIA CNBC (NOV, 2014)

ALL-TIME HIGH
Sep 1981
15.8%
SOURCE: U.S. DEPARTMENT OF THE TREASURY (SEP, 2020)

ALL-TIME LOW
Aug 2020
0.5%

| | 3Y | 5Y | 10Y | MAX | | Compare + | | | Export | | API | |

%

Nov 30, 2015
0.25%

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |

Federal Reserve

Value   Chg   Chg%

Do you expect the next Fed Interest Rate Decision to be:

| <4.25% | 4.25% | 4.5% | 4.75% | >4.75% |

Feedback

Calendar	GMT	Reference	Actual	Previous	Consensus	TEForecast
2025-06-18	06:00 PM	Interest Rate Projection – 1st Yr	3.6%	3.4%		
2025-06-18	06:00 PM	Interest Rate Projection – 2nd Yr	3.4%	3.1%		
2025-07-30	06:00 PM	Fed Interest Rate Decision	4.5%	4.5%	4.5%	4.5%
2025-09-17	06:00 PM	Fed Interest Rate Decision		4.5%	4.25%	4.25%
2025-10-29	06:00 PM	Fed Interest Rate Decision				
2025-12-10	07:00 PM	Fed Interest Rate Decision				

2. Geopolitical Tensions and Trade Fragmentation

Escalating **geopolitical tensions** are fundamentally reshaping the global economy. Conflicts and political rivalries are leading to increased trade barriers, sanctions, and a move toward "friend-shoring," where countries trade with politically aligned partners.

- **Impact:** This fragmentation of global trade disrupts supply chains, increases costs, and reduces overall economic efficiency. It can also lead to a decline in foreign direct investment (FDI) as companies become more risk-averse.

3. High Global Debt

Global debt, including sovereign, corporate, and household debt, has reached record highs. This is a major concern, as rising interest rates make debt servicing more expensive for governments and businesses.

- **Impact:** High debt levels reduce a country's fiscal space, limiting its ability to respond to future crises. For many developing and low-income countries, this can trigger a debt crisis, hindering economic development and increasing poverty.

5. Supply Chain Disruptions

The fragilities of **global supply chains** have been exposed by recent events. While some disruptions have eased, geopolitical tensions and the push for reshoring or nearshoring continue to create new challenges.

- **Impact:** These disruptions lead to higher production costs, product shortages, and increased inflationary pressures. They also make it difficult for businesses to plan and manage inventory, affecting profitability.
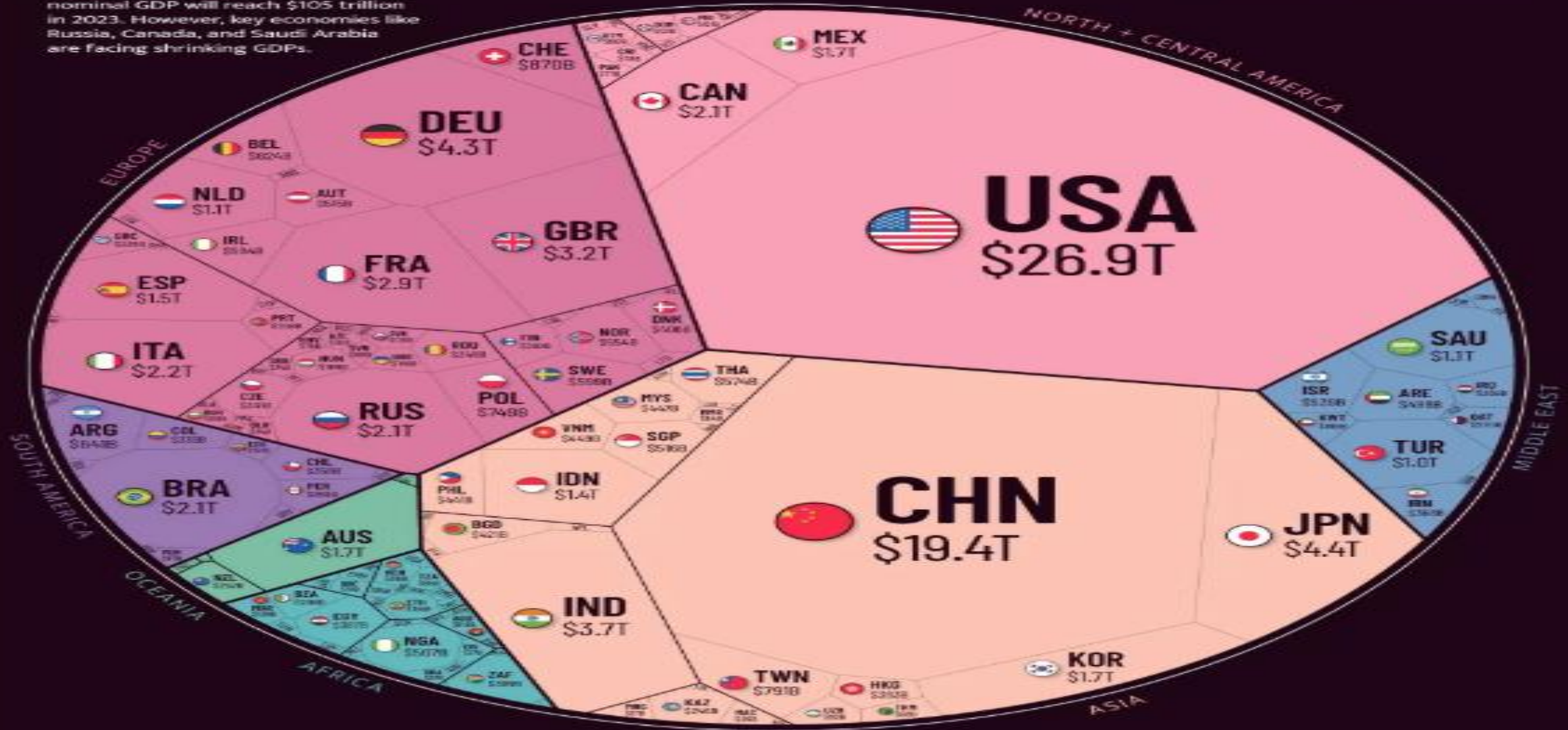
II. Global Economy
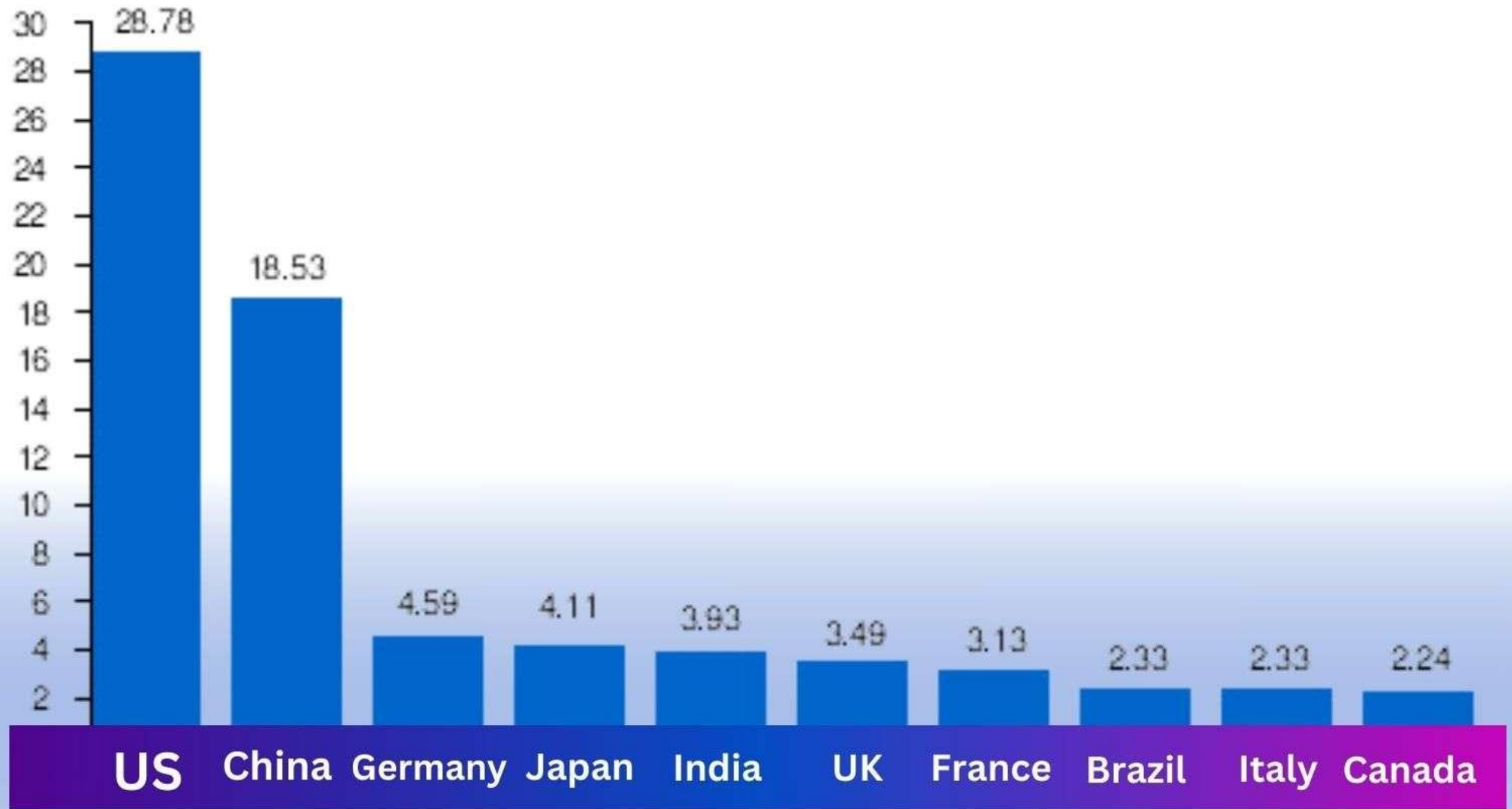
THE $105 TRILLION WORLD ECONOMY
2023 GLOBAL GDP

According to IMF projections, global nominal GDP will reach $105 trillion in 2023. However, key economies like Russia, Canada, and Saudi Arabia are facing shrinking GDPs.

NORTH + CENTRAL AMERICA

MEX $1.7T

CAN $2.1T

CHE $870B

DEU $4.3T

BEL $624B

NLD $1.1T

AUT $559B

IRL $534B

GBR $3.2T

FRA $2.9T

ESP $1.5T

USA $26.9T

DNK $406B

ITA $2.2T

NOR $554B

SAU $1.1T

ISR $529B

ARE $499B

TUR $1.0T

SWE $599B

POL $748B

RUS $2.1T

THA $574B

MYS $447B

VNM $449B

SGP $516B

ARG $641B

COL $333B

BRA $2.1T

PHL $440B

IDN $1.4T

CHN $19.4T

JPN $4.4T

AUS $1.7T

BGD $421B

NGA $507B

IND $3.7T

ZAF $399B

TWN $791B

HKG $359B

KOR $1.7T

EUROPE

SOUTH AMERICA

OCEANIA

AFRICA

ASIA

MIDDLE EAST

The IMF sees the world economy growing 5.3%, or when adjusted for inflation, 2.8%.

Russia's projected $150B GDP drop is more than Ukraine's total $149B GDP.

India dethrones the UK as the 5th largest economy in the world.

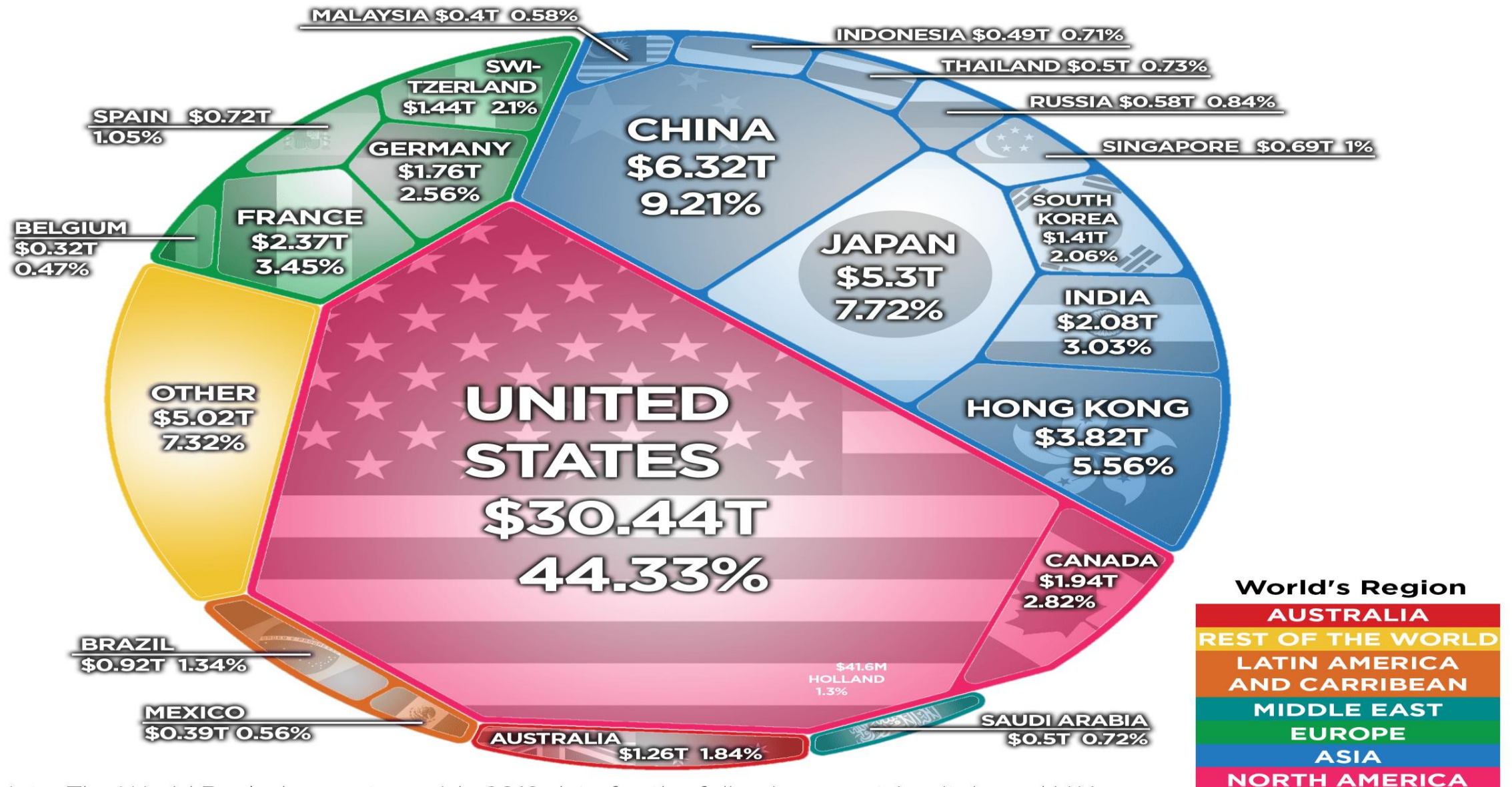China's GDP is expected to grow 7.1% in 2023, ahead of U.S. growth of 5.5%.

List of the top 25 countries by GDP and their per capita income in 2023			
Rank	Country	GDP (nominal)	Per capita income (nominal)
1	United States	$25.34 trillion	$65,240
2	China	$19.99 trillion	$12,220
3	Japan	$5.14 trillion	$41,331
4	Germany	$4.39 trillion	$46,510
5	United Kingdom	$3.32 trillion	$44,920
6	India	$3.17 trillion	$2,277
7	France	$2.95 trillion	$42,067
8	Canada	$2.21 trillion	$46,510
9	Italy	$2.09 trillion	$38,468
10	Brazil	$1.94 trillion	$15,585
11	Russia	$1.77 trillion	$11,240
12	Australia	$1.61 trillion	$53,819
13	South Korea	$1.54 trillion	$36,468
14	Spain	$1.42 trillion	$34,830
15	Netherlands	$1.35 trillion	$54,422
16	Turkey	$1.24 trillion	$10,470
17	Mexico	$1.16 trillion	$14,010
18	Saudi Arabia	$1.13 trillion	$53,893
19	Switzerland	$741.1 billion	$66,307
20	Sweden	$714.1 billion	$51,405
21	Belgium	$693.1 billion	$49,367
22	Austria	$687.1 billion	$53,879
23	Norway	$621.1 billion	$62,183
24	Hong Kong	$616.1 billion	$61,671
25	Singapore	$561.1 billion	$94,105

III. Global Stock Markets

All Stock's Capitalization Around the World
Market Capitalization of Listed Domestic Companies ($) in 2018

MALAYSIA $0.4T 0.58%

INDONESIA $0.49T 0.71%

THAILAND $0.5T 0.73%

RUSSIA $0.58T 0.84%

SINGAPORE $0.69T 1%

SWI-TZERLAND $1.44T 2.1%

SPAIN $0.72T 1.05%

GERMANY $1.76T 2.56%

CHINA $6.32T 9.21%

SOUTH KOREA $1.41T 2.06%

FRANCE $2.37T 3.45%

JAPAN $5.3T 7.72%

INDIA $2.08T 3.03%

BELGIUM $0.32T 0.47%

OTHER $5.02T 7.32%

UNITED STATES $30.44T 44.33%

HONG KONG $3.82T 5.56%

CANADA $1.94T 2.82%

BRAZIL $0.92T 1.34%

$41.6M HOLLAND 1.3%

MEXICO $0.39T 0.56%

AUSTRALIA $1.26T 1.84%

SAUDI ARABIA $0.5T 0.72%

World's Region

AUSTRALIA
REST OF THE WORLD
LATIN AMERICA AND CARRIBEAN
MIDDLE EAST
EUROPE
ASIA
NORTH AMERICA

Note: The World Bank does not provide 2018 data for the following countries: Italy and U.K.

Article and Sources:
https://howmuch.net/articles/all-stocks-capitalization-around-the-world
The World Bank - https://data.worldbank.org

howmuch.net

The capitalization size of large U.S. stocks is dominated by a handful of technology companies. Market capitalization is a dynamic figure, so these numbers fluctuate constantly based on stock prices. As of late 2025, here are the approximate market capitalizations of the largest U.S. companies: 🔗

Top 10 Largest U.S. Companies by Market Capitalization

1. **NVIDIA (NVDA):** ~$4.25 trillion 🔗
2. **Microsoft (MSFT):** ~$3.78 trillion 🔗
3. **Apple (AAPL):** ~$3.53 trillion
4. **Alphabet (GOOGL/GOOG):** ~$3.04 trillion 🔗
5. **Amazon (AMZN):** ~$2.50 trillion 🔗
6. **Meta Platforms (META):** ~$1.96 trillion 🔗
7. **Broadcom (AVGO):** ~$1.70 trillion 🔗
8. **Tesla (TSLA):** ~$1.36 trillion
9. **Berkshire Hathaway (BRK.A/B):** ~$1.06 trillion 🔗
10. **Oracle (ORCL):** ~$871 billion

NVIDIA Corporation (NVDA) (☆ Follow) (+ Add holdings)

🔵 **Time to buy NVDA?**

174.88 -2.87 (-1.61%)   173.25 -1.59 (-0.91%)

At close: 4:00:00 PM EDT   Pre-Market: 5:48:57 AM EDT
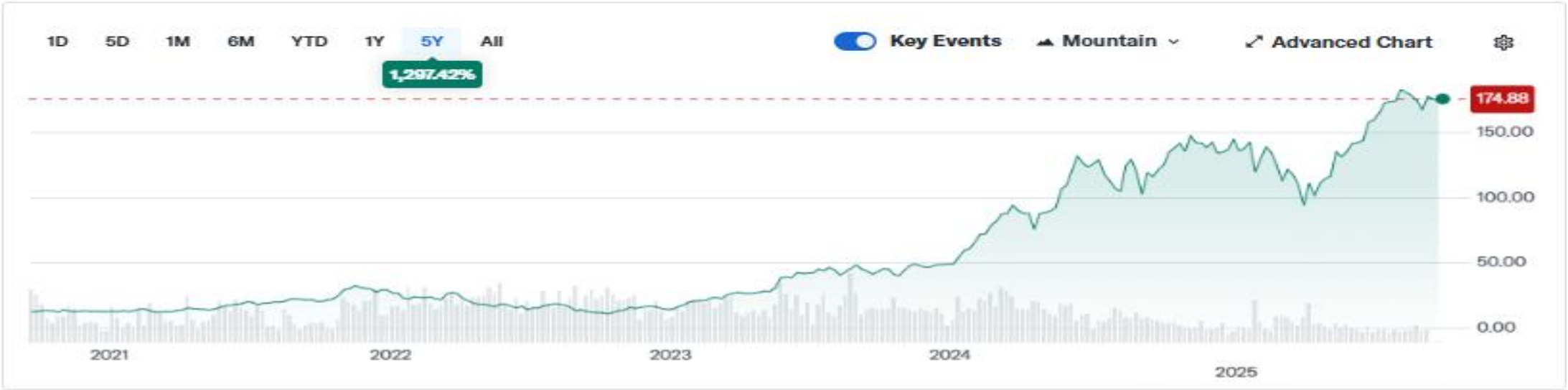
| 1D | 5D | 1M | 6M | YTD | 1Y | **5Y** | All |

🔵 **Key Events**   ▲ Mountain ⌄   ↗ Advanced Chart   ⚙

1,297.42%

Previous Close	177.75	Market Cap (intraday)	4.258T
Open	176.99	Beta (5Y Monthly)	2.10
Bid	174.75 x 500	PE Ratio (TTM)	49.68
Ask	174.97 x 500	EPS (TTM)	3.52
Day's Range	174.38 - 177.50	Earnings Date	Nov 19, 2025
52 Week Range	86.62 - 184.48	Forward Dividend & Yield	0.04 (0.02%)
Volume	136,363,238	Ex-Dividend Date	Sep 11, 2025
Avg. Volume	173,393,917	1y Target Est	209.19

Microsoft Corporation (MSFT)

☆ Follow   + Add holdings

🔴 Time to buy MSFT?

509.04 -6.32 (-1.23%)   511.10 +2.06 +(0.40%)

At close: 4:00:01 PM EDT   🔶 Pre-Market: 5:47:12 AM EDT

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | All |

148.25%

Key Events   ⛰ Mountain ⌄   ↗ Advanced Chart   ⚙

509.04

400.00

300.00

200.00

2021   2022   2023   2024   2025

Previous Close	515.36	Market Cap (intraday)	3.784T
Open	516.88	Beta (5Y Monthly)	1.04
Bid	490.96 x 100	PE Ratio (TTM)	37.32
Ask	509.34 x 200	EPS (TTM)	13.64
Day's Range	508.60 - 517.23	Earnings Date	Oct 29, 2025
52 Week Range	344.79 - 555.45	Forward Dividend & Yield	3.64 (0.72%)
Volume	19,508,071	Ex-Dividend Date	Nov 20, 2025
Avg. Volume	20,486,032	1y Target Est	615.38

Apple Inc. (AAPL) ☆ Follow   + Add holdings

🔵 Time to act on AAPL?

238.15 +1.45 +(0.61%)   **237.70** -0.45 (-0.19%)

At close: 4:00:01 PM EDT   ⌛ Pre-Market: 5:50:00 AM EDT

| 1D | 5D | 1M | 6M | YTD | 1Y | **5Y** | All |

112.39%

🔵 **Key Events**   ▲ Mountain ⌄   ↗ Advanced Chart   ⚙
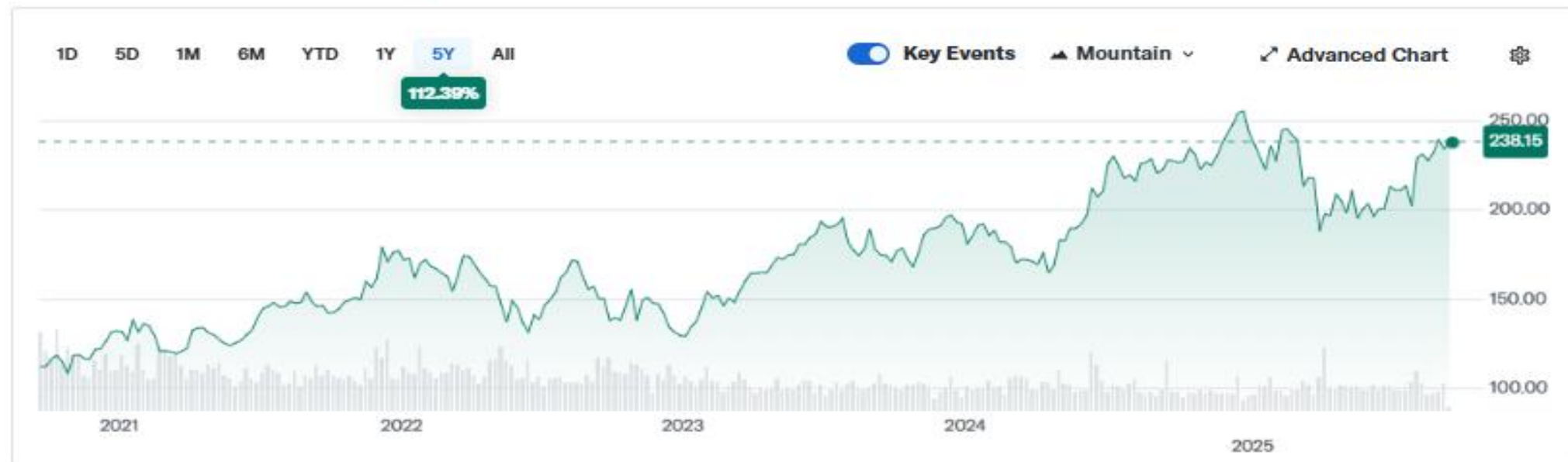
Previous Close	236.70
Open	237.18
Bid	236.00 x 100
Ask	249.10 x 100
Day's Range	236.32 - 241.22
52 Week Range	169.21 - 260.10
Volume	61,246,555

Market Cap (intraday)	3.534T
Beta (5Y Monthly)	1.11
PE Ratio (TTM)	36.08
EPS (TTM)	6.60
Earnings Date	Oct 30, 2025
Forward Dividend & Yield	1.04 (0.44%)
Ex-Dividend Date	Aug 11, 2025

251.16 -0.45 (-0.18%)   **252.74** +1.58 +(0.63%)

At close: 4:00:01 PM EDT   Pre-Market: 5:50:53 AM EDT

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | All |

Key Events   Mountain   Advanced Chart

232.20%

Date:	12/21/2020
Close:	86.71
Open:	85.46
High:	87.21
Low:	84.70
Volume:	86,630,000

251.16

197.31

150.00

100.00

2021   2022   2023   2024   2025

12/21/2020
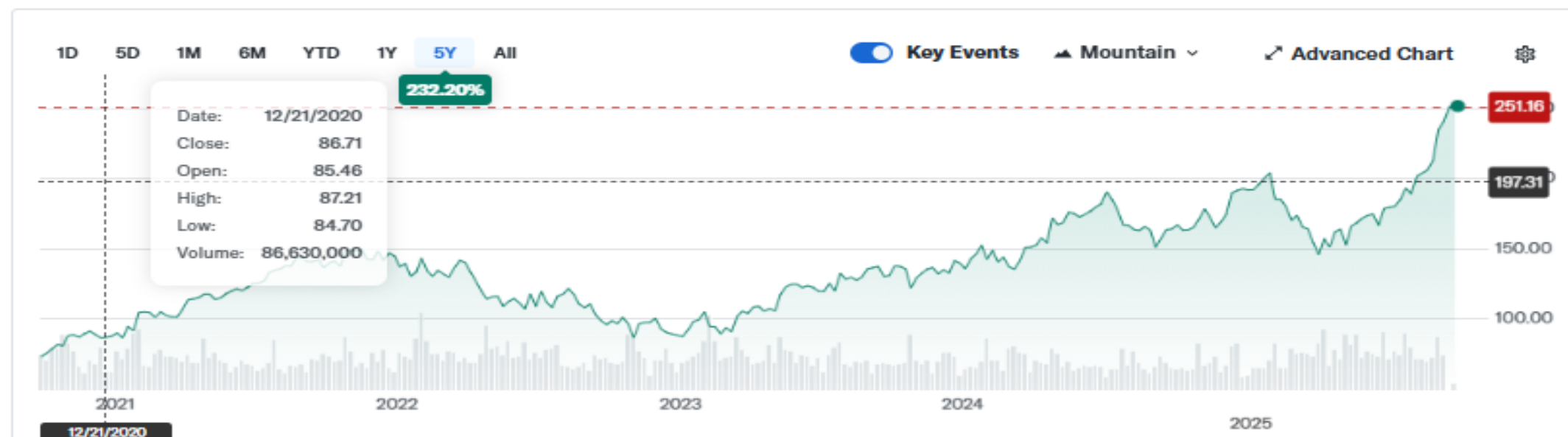
Previous Close	251.61	Market Cap (intraday)	3.039T
Open	252.12	Beta (5Y Monthly)	1.01
Bid	250.92 x 100	PE Ratio (TTM)	26.80
Ask	251.34 x 100	EPS (TTM)	9.37
Day's Range	249.47 - 253.04	Earnings Date	Jul 23, 2025
52 Week Range	140.53 - 253.04	Forward Dividend & Yield	0.84 (0.33%)
Volume	34,072,967	Ex-Dividend Date	Sep 8, 2025
Avg. Volume	39,091,801	1y Target Est	233.66

Amazon.com, Inc. (AMZN) ☆ Follow   + Add holdings

🔵 Time to act on AMZN

234.05 +2.62 +(1.13%)   234.43 +0.38 +(0.16%)

At close: 4:00:01 PM EDT   Pre-Market: 5:52:33 AM EDT

| 1D | 5D | 1M | 6M | YTD | 1Y | 5Y | All |

🔵 Key Events   ▲ Mountain ⌄   ⤢ Advanced Chart   ⚙

52.07%

250.00
234.05
219.85
200.00
150.00
100.00

2021   2022   2023   2024   2025

3/15/2021

Previous Close	231.43	Market Cap (intraday)	2.496T
Open	232.93	Beta (5Y Monthly)	1.31
Bid	233.96 x 400	PE Ratio (TTM)	35.73
Ask	234.28 x 400	EPS (TTM)	6.55
Day's Range	232.23 – 235.90	Earnings Date	Oct 30, 2025
52 Week Range	161.38 – 242.52	Forward Dividend & Yield	--
Volume	36,757,386	Ex-Dividend Date	--
Avg. Volume	42,304,427	1y Target Est	264.72

Meta Platforms, Inc. (META)

☆ Follow   + Add holdings

🔵 Time to buy META?

779.00 **+14.30** **+(1.87%)**   **776.98** **-2.02 (-0.26%)**

At close: 4:00:01 PM EDT   👤 Pre-Market: 5:52:55 AM EDT

1D 5D 1M 6M YTD 1Y **5Y** All   🔵 Key Events   ⛰ Mountain ⌄   ↗ Advanced Chart   ⚙

195.61%

779.00

500.00

250.00

2021   2022   2023   2024   2025

Previous Close	764.70	Market Cap (intraday)	1.957T
Open	767.12	Beta (5Y Monthly)	1.24
Bid	778.19 x 100	PE Ratio (TTM)	28.25
Ask	779.53 x 200	EPS (TTM)	27.58
Day's Range	765.10 - 781.26	Earnings Date	Oct 29, 2025
52 Week Range	479.80 - 796.25	Forward Dividend & Yield	2.10 (0.27%)
Volume	11,649,109	Ex-Dividend Date	Sep 22, 2025
Avg. Volume	11,706,137	1y Target Est	864.59

Broadcom Inc. (AVGO)

☆ Follow   + Add holdings

🔵 Time to buy AVGO?

360.00 **-4.09 (-1.12%)**   **359.40** **-0.60 (-0.17%)**

At close: 4:00:01 PM EDT   😴 Pre-Market: 5:52:43 AM EDT

1D	5D	1M	6M	YTD	1Y	5Y	All

880.82%

🔵 Key Events   ▲ Mountain ⌄   ↗ Advanced Chart   ⚙
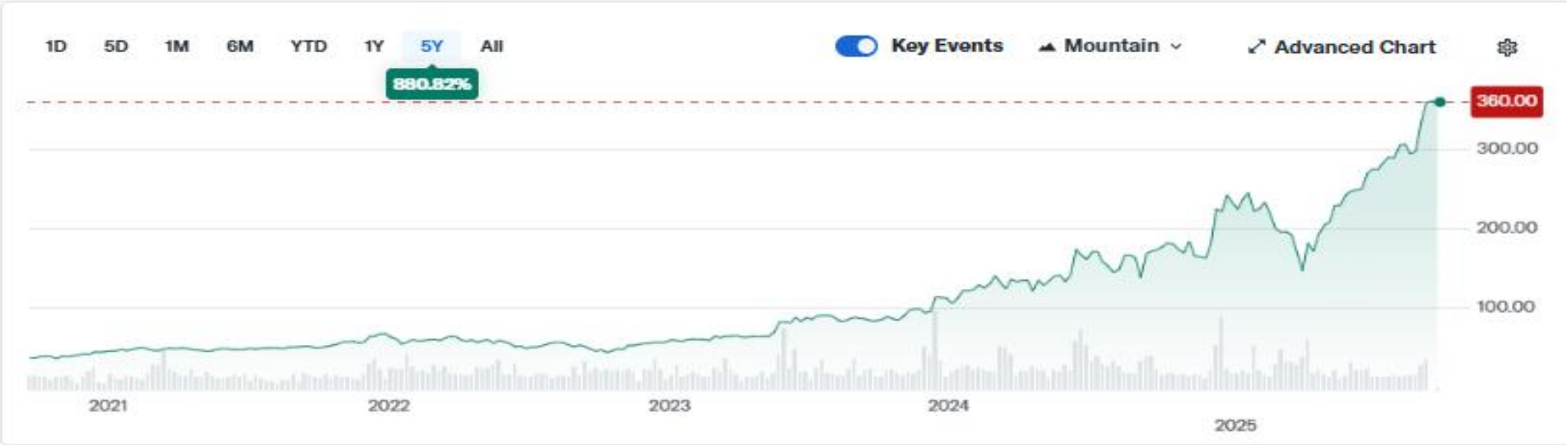
Previous Close	364.09	Market Cap (intraday)	1.7T
Open	365.42	Beta (5Y Monthly)	1.17
Bid	359.66 x 100	PE Ratio (TTM)	92.54
Ask	360.37 x 100	EPS (TTM)	3.89
Day's Range	356.99 - 365.69	Earnings Date	Sep 4, 2025
52 Week Range	138.10 - 374.23	Forward Dividend & Yield	2.36 (0.66%)
Volume	20,223,958	Ex-Dividend Date	Sep 22, 2025
Avg. Volume	21,687,085	1y Target Est	367.80

IV. What drives the stock price?

The stock price of a company is determined by a complex interplay of various factors, but at its most fundamental level, it's governed by the principles of **supply and demand**. 🔗

- **Supply and Demand:** When more people want to buy a stock (high demand) than sell it (low supply), the price goes up. Conversely, if more people want to sell a stock (high supply) than buy it (low demand), the price falls. 🔗 🔗

While this is the core mechanism, a wide range of factors influence the sentiment of buyers and sellers, thus driving demand and supply. These factors can be broadly categorized as follows: 🔗

1. Company-Specific Factors (Fundamentals)

These relate directly to the health and performance of the company itself. 🔗

- **Earnings and Profitability:** A company's profits, as reported in its quarterly and annual financial statements, are a major driver. Strong earnings growth and positive outlooks tend to increase investor confidence and push prices up. 🔗 🔗

- **Company News:** Announcements of new products, leadership changes, mergers and acquisitions, or even scandals can have a dramatic impact. Positive news increases demand, while negative news can cause a sell-off. 🔗 🔗

- **Dividends:** A company's decision to pay or increase dividends (a portion of profits distributed to shareholders) can attract investors seeking income and thus support the stock price. 🔗

2. Economic and Market-Wide Factors

These are broader trends that affect the entire stock market, not just a single company.

- **Economic Health:** Overall economic conditions, such as GDP growth, inflation, and unemployment rates, influence investor sentiment. A strong economy generally leads to higher corporate profits and a more bullish market. 🔗

- **Interest Rates:** Central bank decisions on interest rates significantly affect stock prices. Higher interest rates can make borrowing more expensive for companies and make alternative investments like bonds more attractive, potentially leading to a decrease in stock prices. 🔗 🔗

- **Inflation:** High inflation can erode corporate profits by increasing production costs and can also lead to a decrease in consumer spending, negatively impacting stock prices. 🔗

3. Investor Behavior and Market Sentiment

This category involves the psychological and emotional aspects of trading.

- **Investor Sentiment:** The overall mood of the market—whether investors are optimistic (bullish) or pessimistic (bearish)—plays a huge role. Fear and greed can cause stock prices to move in ways that don't always align with a company's fundamentals.

- **Technical Analysis:** Many traders use technical analysis, which involves studying historical price charts and volume data to identify patterns and predict future movements. This can create self-fulfilling prophecies as a stock's price often follows a trend.

- **Herd Behavior:** Investors often follow the actions of others, leading to "buying frenzies" or "panic selling" that can cause rapid, and sometimes irrational, price movements.

V. Efficient Market Hypothesis

1. What EMH Means in Simple Terms

The EMH says that **stock prices already reflect all available information**. In other words, the moment new information (like earnings results, interest rate news, or a CEO resignation) becomes public, the market quickly incorporates it into prices.

For a retail investor, this means:

- **No "free lunch"**: It's very hard to consistently beat the market using publicly available news, stock tips, or chart patterns.
- **Stock picking is tough**: By the time you act, prices have usually already adjusted.

2. Levels of EMH

- **Weak form**: Prices already reflect past price movements and volume. → Technical analysis (looking for patterns in charts) shouldn't consistently beat the market.

- **Semi-strong form**: Prices reflect all *publicly available* information. → Fundamental analysis (studying financial statements, news) won't consistently outperform.

- **Strong form**: Prices reflect *all information*, public and private. → Even insiders couldn't consistently beat the market (this is more theoretical and less realistic).

3. Retail Investor Perspective

- **Why this matters**:

  Most retail investors don't have faster information access than institutional investors (hedge funds, banks, mutual funds). So trying to "outsmart the market" is very hard and often risky.

- **Practical takeaway**:

  - **Index funds & ETFs**: Since it's hard to beat the market, many retail investors choose low-cost index funds (like S&P 500 ETFs). These simply track the market instead of trying to beat it.

  - **Long-term investing**: EMH supports a "buy and hold" strategy. If you can't outguess the market short-term, focus on compounding long-term returns.

  - **Be skeptical of hot tips**: If you hear a "sure thing," the market probably already priced it in.

VII. Fundamental Top-down Approach

1. What is the Fundamental Top-Down Approach?

The **top-down approach** in investing starts from the **big picture** (macro level) and narrows down to the **specific stock or asset** (micro level).

The logic is:

1. **Global/Macro Trends** – How is the world economy doing? Growth, inflation, interest rates, geopolitics.
2. **Country/Regional Outlook** – Which countries or regions are expected to grow faster?
3. **Industry Selection** – Which industries will benefit in that environment?
4. **Company Analysis** – Within those industries, which firms have the strongest fundamentals (profits, balance sheet, competitive edge)?

It's called "fundamental" because at each stage you use **economic and financial data** rather than just price charts.