Week 5 Project

[Name of the Writer]

[Name of the Institution]

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In the first week of this course, I have worked on Walmart Inc. and its financial reports. First I provided a brief overview of the company in which the company's products, brands, location, assets, and profit, etc were discussed. Here I will discuss some important points briefly to recall the first-week task. Walmart is a US-based retail chain of hypermarts, discount department stores, and grocery store. Walmart is working in more globally, and its headquarter in Arkansas. The company had started its operations in 1962 from lower level operations. In the week one assignment we studied how the company financial position was effected in the previous few years. The annual reports of the company show the trend of the last few years. Though the company's financial position declined from the last few years. The ROA and ROI of the company in 2017 were better than that in 2018. Walmart has a strong supply chain network which is the competitive advantage of the company. It has more than 150 distribution centers and hubs for its business. The company has the strongest distribution network in the world which provide direct delivery to the customers. The company initiated e-commerce back in 1991, and now customers can buy products online through its application. The company also provides all the details of the products including price, and sales offers, etc online to catch maximum customers. The supply chain of the company is very strong and effective, and the company has more 6,100 vehicles and 7,800 drivers. The company has more than 11,700 retail outlets, operating in 28 countries, with 270 million customers per week. According to the annual report 2018, the company has added a new segment at its outlets. Walmart launched the pharmacy division at its outlets and also the money services in 2018. Total revenue of the company during the year was $500 billion, while the sale of e-commerce at Walmart US was $11.5 billion. The income of the company is higher than other competitors. The company is earning a handsome amount through business. The Economic Value Added (EVA ) shows the profitability of a company. According to the annual report of the year 2018, the NOPAT was $ 12,420 million while the capital invested was 142,543 million. The cost of money for this year was 4.8 percent (Walmart Inc., 2019). So the EVA of the company is calculated as $ 5,573 million. It shows that strength and stability of the company financial performance. The EVA values are a confident and higher value which indicates that the company is in profit (Our Business, 2019). The return on investment of the company was 5.2 % in 2018, while it was 7.2 % in 2017. The decline in return on assets indicates the loss on the extinguishment of debts and the decrease in operating income in 2018. The yield on equity (ROE) of the company was 13.02 % during 2018, which shows $ 0.13 per $ 1 investments. ROE is essential to measure for the investors, and they evaluate the company's return on the capital invested. The investment decision is mostly made based on ROA, ROE, and ROI. The total obligations of the company are more than its total liabilities, so the ROE is higher, while the ROA is minimized because of the rise in assets and the higher debts taken by the company.

The principal amount of the loan or credit financing is based on the amount of the actual payment. If the actual payment is huge, the principal amount would also payment is based on the size of the payment and it is the same as every payment, which is being made by a customer. An amortization schedule is a table of periodic payment on amortizing loan especially a mortgage. It is generated by the amortization calculator. The amortization refers to the process of payment of debt including principal amount and the interest rate. The total loan is usually divided into small amounts equally. It is important for organizations because it provides detailed information regarding the total amount paid and the due amount. It is tabulated by dividing the original amount of loan given by the number of payment, which a client intends to pay (Klaim, 2015). For instance, the loan of a car is $16,920 and the payment period is 60 months. The principal payment would, therefore, be $16920 divided by 60 months or five years. In this case, the principal payment is $282. However, the interest is tabulated based on the unpaid balance of the loan. The interest rate also decreases as the amount of loan is diminishing with time. The interest rate is calculated on the total amount of debt. Every country has its interest rate according to their economy and inflation etc. The size of the interest also decreases as the payment is made and therefore, the interest of the loan in the case of car purchase would be 7% per year. As the payment is made over some time, the principal loan decreases and the interest decreases at the same time. This also affects the life span of the loan (Segal, 2016). As indicated, if the loan is paid with a higher principle, the life span of the load would be shorter. And this means that the life span balance of the loan is based on the principal of the loan payment.

In the USA there are many online trading companies worker both locally and globally. Therefore, it is not easy to rank a broker as the best online broker. However, the widely trusted online broker or trading firms are E\*TRADE, TD Ameritrade, and Fidelity and Ally Invest. These firms are different, and their differences are based on the overhead, prices, and speed at which each broker trades. The E\*TRADE educates large corporations through different pieces of training, so traders without difficulty learn how to trade on its platform and invest without any difficulty. The platform has a library where a trader can easily access to videos, and notes regarding trade and can get assistant from an appointed broker through its website and therefore, E\*TRADE platform can easily be used for trading even by first time traders. It has also got a low minimum account balance, and therefore, investors are required to pay at least $500 into their brokerage accounts. However, the only drawback of E\*TRADE is the high commission its charges traders. According to McLaim (2017), E\*TRADE commission starts at $6.95, which is higher compared to other firms such as Ally Invest and TD Ameritrade. The price per trading for E\*TRADE is $49.28, TD Ameritrade is $56.46, and Fidelity is $49.58. However, E\*TRADE requires a minimum deposit of $500, TD Ameritrade charges $9.99 to $6.95 for trading, which is expensive compared to other brokers in the market. It requires a minimum deposit of $0 and an options trade for a contract of $6.95 + $0.75 per contract. It also provides support for customers 24/5 and therefore, it is one of the best sites for stock brokers. TD Ameritrade is designed for pros in trading, and it provides the best trading site for online traders since it offers superior tools and features on the desk and also has a mobile phone application for trading. Fidelity is the best site for casual investors. It offers a stock trade of $4.95, an Option Trades of $4.95 + $0.65 per contract and a minimum deposit of $2,500. It, therefore, means that it is much expensive compared to TD Ameritrade and E\*TRADE in terms of charges.

Some of the companies, which offer DIP or DRIP, are Kellogg Co, Sherwin Williams, and Honeywell. These three firms offer no fee for DRIP. Sherwin Williams offers steady earnings, and it has a proven track record of dividend growth. Its dividend payout stands a 2.5% and therefore, it is among some of the companies, which offers the highest dividend payout in the market(Bourgi, 2017). Kellogg Coffers 3.27% dividend payout to investors especially when it is compared with other firms in the market. Its payment ratio is 53.5%, which it has been paying for the last 12 years. Honeywell is known for its best dividend payout for the last six years. It yields higher than the industrial rate. Based on the analysis Honeywell gives customers or investors the opportunity to earn more in the market through reinvested of dividends into the stock. For instance, out of $10 dividends paid by the company, $1 is reinvested back to the stock and therefore, an investor can easily increase his or her stake in the company. Kellogg Co. also provides assistant to customers to ensure that customers understand the dividend payment standard and procedures and it is the reason many investors prefer the company compared to others, which offer similar services.

Expectation theory presents the graphical presentation of the expected interest rate of investment in different governmental programs, including US Treasuries, Municipal Bonds, and Corporate Bonds (ForexTraders, 2017). The graphical representation is based on two variables; yield and maturity. The yield curve provides the theoretical basis for using it as an analytical tool, whereas maturity defines the years required to mature the investment. The pure expectation theory holds that the long term investment holds the short term interest rates' future predictability. Thus, the theories helps to understand one's earning, by investing in one year bond rolled in two years, will be the same as that of the one investing in a two-year bond at once.

After analyzing all three yield curves of the US Treasuries, Municipal Bonds, and Corporate bonds, respectively. It becomes clear that the interest rate of US Treasuries will show a slow and steady rise in the interest rate, whereas in the starting years of investment it may also show a bit decrease in the interest rate but later will continue its rise and profit percentage. On the other hand, the Municipal Bonds' yield curve (Benzel, 2018)shows expectation to raise the interest rate to 3%, which is 0.3 % less than that of the US Treasuries interest rate expectations. Finally, the yield curve for the Corporate Bonds (Lysander, 2018)shows a very slow rise in the interest rate, which is below than 3% in the first 25 years of investment and finally it will show a rise to the 3.2% interest rate. Thus, the yield curve analysis of all three securities makes it clear that investment in US Treasuries will be proven as highly beneficial to the investors. Though both; US Treasuries and Corporate bonds show the same rise when touching the maturity year, before that US treasury showing a steady rise whereas Corporate bonds are showing a rapid rise, which may or may not exactly happen. Thus, investment in US Treasuries is found to be less risky, and so investment in this US security will be proven as highly profitable when comparing to other two securities.

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