



# Graduate Seminar

Department of  
Economics and Finance

College of Business  
and Economics

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MA Candidate

Supervisor: Prof. Francis Tapon



### *International Investment: A Financial Literature Survey*

The purpose of our literature survey is to investigate the following three main questions: How to invest internationally? What happens to stock market correlation during periods of financial turmoil? And is “home bias” justified? This paper examines the literature which establishes MNCs, ETFs, and ADRs as tools a US investor can use to diversify abroad. Diversification is favorable due to correlation; uncorrelated markets will reduce return variability. We examine the financial literature on market correlation and come to the consensus that stock markets move together in times of financial turmoil reducing the appeal of international diversification. Furthermore, a survey on the phenomenon of “home bias” is done, showing there have been several studies that attempt to justify home bias but fail to account for why investors hold domestic stocks. This paper reveals there is a link between “home bias” and corruption levels of foreign countries. This is done by examining newer studies that take into account a country’s political regime, corruption and corporate governance when looking at stock valuation and investment potential.

**Date: Monday July 25th 2016**

**Time: 11:00AM**

**Room: Mackinnon 720**

