

How Much Do You Know About International Investing?

When it comes to investing, the U.S. stock market isn't the only game in town. Some of the best-performing markets are in foreign countries and some of the world's best-known brands are owned by foreign companies. This quiz will test your knowledge.

- 1 Overseas investing can benefit your portfolio because:
 - A Foreign markets always deliver higher returns than U.S. markets
 - B Foreign markets don't always perform in absolute sync with U.S. markets
 - C It costs less to invest overseas than in the U.S.
- 2 The most widely used international stock market index is:
 - A The MSCI EAFE Index
 - B The FTSE 100 Index
 - C The Nikkei 225 Stock Average
- 3 Among the risks you must consider when investing overseas is:
 - A Political instability could impact your investment
 - B Currency fluctuations may adversely affect the return on your overseas investments
 - C Both of the above

Answers

1. B Because foreign economies don't always track precisely with the U.S. economy, foreign stock markets don't always track precisely with U.S. markets. So one or more foreign markets may be higher when the U.S. market is lower — helping to diversity your portfolio.
2. A The MSCI EAFE Index (Morgan Stanley Capital International Europe, Australasia, Far East) is the most widely used measure of international stock performance. It covers more than 1,100 stocks in 21 countries. The FTSE 100 covers 100 stocks traded in London while the Nikkei covers 225 stocks traded in Tokyo.
3. C The value of the dollar fluctuates constantly against other currencies, so how well — or how poorly — an overseas investment has performed can't be determined until your return is converted into dollars. Political unrest can also affect a foreign investment's performance.

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