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L. M. Taraniuk, I. I. D'yakonova, K. V. Taraniuk

INTERNATIONAL INVESTMENT ACTIVITY

Study guide

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Reviewers:

N. S. Krasnokutska – Doctor of Economics, Professor, Head of the Department of Management and Taxation of National Technical University «Kharkiv Polytechnic Institute»;

O. L. Plastun – Doctor of Economics, Professor, Professor of the Department of International Economic Relations Research Institute UABS Business Technology of Sumy State University

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Taraniuk L. M.

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This study guide is developed in accordance with the work program of the discipline «International investment activity». It summarizes and systematizes the world experience in a particular area of research, formed the conceptual apparatus and systematic vision of the essence and methodology of investment activities at the international level, considered the organizational and economic support of investment work at the world level.

Designed for students of higher education institutions majoring in «International economic relations», other economic specialties, as well as for professionals engaged in investment activities at the national and international levels.

The spelling and punctuation of the authors of the study guide is preserved.

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INTRODUCTION

International investment activity is a set of actions of the subjects (investors and participants) for the implementation of investments abroad and foreign investments in order to receive profits. Each country as the subject of investment activities determines the legal, economic and social conditions of this activity in its legislation. Subjects of investment activity realize their economic interests, entering into definite relationships on investment markets. Purpose of the tutorial: formation of the system of theoretical knowledge and practical skills in the field of international investment activities. Objectives of the tutorial: the essence of international investment, their place and role in modern international business; subjects, objects, types and forms of international investment activity; the essence of the international investment market, conditions and factors of development of its structure; regulation of international investment activity at national, international and supranational levels by administrative, economic, social and psychological methods; practices of international investment activity in Ukraine, strategies and measures for its activation and efficiency enhancement. After mastering the study guide, the student must:: know: the essence of international investment activity and its role in the development of entrepreneurship; economic factors affecting the choice of foreign investment objects; socio-cultural, political, legal and economic environment of international investment activity; peculiarities of international investment activity; foreign investment strategies; be able to: evaluate the efficiency of foreign investment; to study the environment of international investment operations; to calculate the economic and social efficiency of international investment projects; analyze opportunities of foreign partners to invest in international level. The study guide is based on the materials of practical and theoretical research of leading domestic and foreign economists in the field of international investment. It includes information materials of the following disciplines: «International Economics», «International Management», «Macro and Microeconomics», «International Marketing», «Business Economics».

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Part1. INTERNATIONAL INVESTMENTS: GENERAL OVERVIEW

1.1 Conceptual apparatus of international investment activity

These markets regulate the process of exchange of investments and investment objects (goods). Let's consider their classification, according to the subject of our research (investment, or investment activity), namely:

1. *The domestic market* (or national) - is divided into the domestic market (revolving securities of resident issuers of a given country) and the foreign market (transactions with financial assets of non-residents are carried out). The rotation of foreign securities is governed by the law of the country in which they were issued. For example, securities issued in US by foreign corporations or their subsidiaries operating in the United States must comply with American law. Foreign corporations wishing to issue their financial instruments in Japan must act in accordance with the laws of Japan and the regulations of the Ministry of Finance of this country.

Different foreign markets have specific names. For example, the US foreign market is called the Yankees market. In Japan, the foreign market is called-the Samurai, in the UK - bulldog, in the Netherlands - the market is Rembrandt, in Spain - the market of matador (Baku State University, *NARXOZ*).

2. *An external market* (or international market) includes securities with the following characteristics: immediately after issue, they instantly become available to investors in many countries; they are emitted outside the legislation of a particular country. The external market is still called offshore, but more often it is called euro-market.

1) From the point of view of securities circulating in the market, the international (external) market is divided into:

2) the world market for ordinary shares, which includes the market of euro-certificates - securities issued in several national markets by international syndicates;

3) the global bond market, including the Eurobond market, divided into several sectors, depending on the currency, in which they are denominated (Eurodollar bonds, Eurobonds, etc.)

Eurobond is a valuable paper that: mimics the international syndicate; available immediately after issue to investors in several countries; revolves outside the law of any country;

4) the money market, the instrument of which is a debt with a maturity of no more than a year (commercial paper, bank acceptance, deposit certificates, sales and reverse repurchase agreements - REPO;

5) market of financial derivatives (options and futures);

6) the market for "real" (non-core) investments, which involves (including) the direct investment and venture capital operations.

Separate classification units are the so-called "mature market" and "emerging market" or "growing market".

Mature markets are markets, developed countries (USA, Japan, EU countries), characterized by a high proportion of organized trade through stock exchanges, a high level of market capitalization and an exhausted system of organizational and legal security of securities trading.

Growing or developing markets are financial markets of fast developing countries or transition economies characterized by high growth rates, increased risk, low capitalization, and regulatory frameworks that are in the process of being formed. The "growing market" phenomenon is often associated with wider opportunities (more free niches) for investing.

The above classification shows that there are many variants of capital investment, the spectrum of which is expanding in connection with the development of international economic relations (Bredikhin, 2008).

Investing underlies the functioning of the modern economy, it integrates the interests and resources of citizens, firms and the state in terms of effective social and economic development. In the broadest sense

Investments - this is the conclusion of capital in one form or another in one or another matter for the purpose of its subsequent increase or preservation. In general, for a stable economic growth, investments should be at the level of 15-30% of the gross national product (GNP), which is provided by the appropriate levels of savings.

Investments are all types of property and intellectual property that are invested in objects of entrepreneurial and other activities, which result in the creation of profit (income) or social effect (Bichenko, 2019).

From the economic point of investment - this is a business operation, which provides the acquisition of fixed assets of intangible assets, corporate rights and securities in exchange for funds or property.

These values include:

- funds, targeted bank deposits and other securities;
- movable and immovable property (buildings, structures, equipment, etc.);
- property rights arising from copyright, experience and other intellectual property values;
- a set of technical, technological, commercial and other knowledge;
- rights to use land, water, resources, buildings, structures, equipment, as well as other property rights;

- other values.

Capital investment is a form of investment to reproduce only fixed assets and the growth of inventories.

Investing is a process of spending material, labor and money resources on creation of fixed assets or placement in financial instruments.

The main types of investment are:

- investments made by citizens and business entities that are residents of Ukraine;

- state investment by the authorities and authorities of Ukraine, the Autonomous Republic of Crimea, local Soviets of People's Deputies at the expense of budgetary funds, extrabudgetary funds and borrowed funds, as well as state enterprises and institutions;

- foreign investment;

- joint investment.

The main sources of investment are:

- own resources of the investor (savings of citizens, for enterprises - profits and depreciation deductions);

- borrowed (state credit, bank loans);

- attracted (funds of other investors and depositors, including from the issue of securities);

- investment allocations from budgets of different levels;

- foreign investment (including financial resources of international financial organizations).

National and international investment resources are collectively referred to as the world's investment wealth, which has financial (57.7%) and material (42.3%) components. Financial wealth is accumulated in the form of securities (49.6%) and cash (8.7%), and material - in real estate (35.6%) and valuable metals (6.7%) (Table 1.1).

Table 1.1. Resources of the subjects of investment activity

Investors	Resource	
	own (internal)	borrowed and borrowed
Individuals	Saving and saving	Unbearable part of the individual revenues
Corporation	Stock company, undistributed profits, depreciation and other funds, other own funds	The funds involved in the sale shares, bonds, other securities, long-term loans and loans
State (government)	Profits of state-owned enterprises Tax revenues deductions to	Domestic and foreign loans (state bonds, treasury bonds etc)

As already noted, **international investment activity** is a set of actions of actors (investors and participants) in making investments abroad and foreign investments in order to receive profits. Its subjects-investors are individuals, corporations, national and international financial institutions, governments of countries, and the subjects-participants are individuals and legal entities that ensure the implementation of investments as executors of orders or orders of the investor. The resources of the investor consist of resources received from all available sources of investment - domestic, borrowed and borrowed.

International investment activity is being carried out in two directions: export of capital and attracting foreign investments.

The export of capital is conditioned by factors such as surplus capital in the country, the need for new markets, raw materials, the formation of a certain level of competitive economy, international division of labor, transnationalization of the economy.

The need for attracting foreign investment arises from: the limited internal investment resources; low investment activity of their own investors; the need to provide, together with the investment of new technology and technology; the desire to create a competitive economy and to master the world markets; the need for modernization of the social infrastructure of society.

In terms of subjectivity in world economic theory and practice distinguish individual, institutional, corporate investors and government.

An individual investor independently (without intermediaries) carries out an investment activity. An institutional investor is a financial intermediary that accumulates funds from individual investors and carries out specialized investment activities, as a rule, in securities transactions. Institutional investors include investment funds and companies, pension funds, insurance companies, mutual funds, as well as banks. Corporate investors are enterprises and organizations of various branches of the economy. As a specific investor is the government (Christakos, 2018).

The main objective of private foreign investment is the export of investment capital abroad in cash or commodity form for the purpose of profit or expansion of economic influence.

The main goal of state foreign investment is to create legal, economic and organizational conditions for the sustainable development of the country's economy, where investments are invested. State capital (all types of funds from the state budget that are moving abroad or taken from abroad by the decision of governments) and capital held by intergovernmental intergovernmental organizations are official capital.

As for the subjects of international investment activity, the following concepts are used:

- investor of an investment abroad - a donor subject who is a resident of a certain country (country-based) and who invests in facilities abroad; foreign investment recipient - an entity that is not a resident of the home country and receives funds from an investor who is a resident of the home country;

- "foreign investor" means a non-resident of a host country who deposits funds from recipients resident in the host country;

- reresident of foreign investments - a resident which is a resident of the host country and which attracts funds from foreign investors.

Investments themselves can be classified according to different criteria: Forms and types of investments.

Investments are made in the following forms:

- material - in the form of movable and immovable property;
- financial - in the form of cash, deposits, securities;
- intangible - in the form of property rights, intellectual property, various knowledge and so on.

In addition, investments can be classified according to many features, including:

By objects of investment of capital:

- real investment;
- financial investment.

Real (capital) investments are investing in real assets - as material, both intangible and intangible. According to the Law of Ukraine "On Corporate Income Tax", capital investment should be understood as an economic transaction involving the purchase of buildings, structures, other immovable property, other fixed assets and intangible assets.

Financial investments are investments in the acquisition of corporate rights, securities and other financial instruments.

By the nature of participation in the investment process, financial investments are divided into:

Direct investment is an economic transaction that involves the introduction of funds or property into the statutory fund of a legal entity in exchange for corporate rights issued by such a legal entity.

Portfolio investment - a business transaction that involves the acquisition of securities, derivatives and other financial assets for funds in the stock market. Such investments do not give real investor control over the object of investment.

By form of ownership:

- state - financing from the state budget, local budgets, state enterprises.
- private - characterize the capital investments of individuals, as well as legal entities
- non-state forms of ownership mixed - assume the investment as a share of private and public capital in investment objects.

On a regional basis distinguish:

- internal - investment of capital by economic entities of this state;
- foreign investment of foreign legal entities and individuals, foreign states, international governmental and non-governmental organizations;
- overseas - investing in investment objects outside the territory of this state (acquisition of securities of foreign companies, property, etc.) (Hrebenkov, 2019)

Depending on the terms of development: long-term, medium-term, short-term.

By organizational form they distinguish:

- investment project - involves, firstly, a certain completed object of investment activity and, secondly, implementation, as a rule, one form of investment;
- investment Portfolio - Includes various forms of investment by one investor.

According to the reproductive orientation:

- gross investments characterize the total amount of capital invested in the reproduction of fixed assets and intangible assets in a given period;
- renewable investments characterize the amount of capital invested in the simple reproduction of depreciable fixed and intangible assets.
- net investments characterize the amount of capital invested in the extended reproduction of fixed assets and intangible assets.

By the nature of capital use:

- primary investments characterize the use of newly formed for investment goals of capital at the expense of both own and borrowed financial resources;
- reinvestment represents the re-use of capital for investment purposes for conditions of its preliminary release in the course of the implementation of previously selected investment projects, investment goods or financial instruments of investment;
- disinvestment is a process of withdrawing previously invested capital from investment turnover without further use for investment

purposes (for example, to cover losses of the enterprise). They can be characterized as negative investments of the enterprise

A quantitative criterion for distinguishing direct and portfolio investments in a developed market economy is the share of 10% of the investment object. However, an investment with a smaller share of participation may also be considered direct, but it provides a real impact on decision making by the investment object. Conversely, if the investor's share is more than 10%, but he has no real control over the object, then the corresponding investment is not recognized as direct. Along with direct and portfolio investments, an important component of international investment cooperation is the state foreign aid. Structurally, it is formed by grants, loans and technical assistance, with both a two- and multilateral basis (Adamik, 2014).

Conditions for foreign investors are created through economic and social measures, legal norms, which are an integral part of the investment law of the receiving state; international treaties; investment treaties between a foreign investor and the host state; insurance poles for insurance of investments in national and international insurance organizations. Based on these conditions, direct investments can be made in the following forms:

1. Acquisition of controlling stakes in companies of recipient countries is carried out through direct purchase of shares on the local stock market. This method of investment is widely used in the process of privatization of enterprises, as well as in the exchange of shares for debts of enterprises, both state and private ownership.

2. Licensing agreements with firms in the recipient countries give the investor the opportunity to enter the market with minimal risk. A transnational company transfers the rights to the production of a particular product or service or to use a patented process, technology, trademark or other intellectual property to a local firm that will be responsible for the production and marketing of the local market.

3. Strategic alliances and joint ventures give investors more presence in the local market with less risk than direct buying a local firm or creating their own subsidiary. Creating alliances with large corporations opens up opportunities for small companies looking for sources of funding for growth.

4. Acquisition of controlling stakes in firms of recipient countries by foreign investors brings great benefits to local firms, stimulates the country's economy as a whole and accelerates its integration into the world economy, because it requires investors greater obligations and a longer time to generate profits. Control packets of shares can be obtained through direct

purchase of shares, privatization, exchange of shares on debts and other methods.

5. Creation of own subsidiaries in firms of recipient countries is used in the markets with the greatest potential for profit. This form of investment has the greatest risk and the largest liabilities from the foreign investor.

6. Foreign investment credit is an economic relationship between the states,

foreign banks and firms on the financing of investment activities on the basis of repayment within certain time limits and, as a rule, with payment of interest.

7. An important component of international investment activity is state foreign aid. Structurally, it is formed by grants, concessional loans and technical and informational and consulting assistance, which have both a two-way and a multilateral basis (Fedorenko, 2004).

1.2 Principles of international investment activity

The investor, who plans to make international portfolio investments, must first of all define the principles of forming the structure of their portfolio. The following sequence of formation of the structure of the portfolio of international investments in general or by specific segments is possible:

- countries (currencies) - types of securities - specific securities;
- types of securities - countries (currencies) - specific securities;
- types of securities - specific securities - countries (currency);
- specific securities - countries (currencies).

In the first case, the investor can choose from, for example, Japan and France, and then Japanese bonds and French equities and, in the end, specific securities.

In the second case, the types of securities are first selected (for example, stocks or short-term government bonds) 'then for each type of country are determined (for example,

Japan for equity investments, and the United Kingdom - short-term government bonds), and finally, specific securities are identified.

The third and fourth cases are characteristic for determining the structure of the segment of shares in the portfolio of international investment.

In the third case, the choice of a type of securities means the choice of certain sectors of the economy, after which the shares of specific companies in a particular country are selected. The choice of such shares determines the totality of the countries (currencies) of the investment.

Thus, in the first and second cases, the principle of "country (currency) - specific securities ", which in the literature is called "top down "principle. In the third and fourth cases, the principle of "specific securities - countries (currencies)" or "bottom-up" principle is implemented.

At each stage of the considered sequences of formation of a set of segments and

specific securities in the portfolio of international investment depends on the purpose of the particular investor. Such goals can be:

- obtaining quality (profitability and risk), close to the quality of a market portfolio, whose structure corresponds to the capitalization of the relevant market;

- reception of profitability above the profitability of a market portfolio;

- ensuring the risk below the market portfolio risk.

These goals can be defined both for the portfolio of international investments in general and for its individual segments.

Along with the formation of the portfolio structure, a foreign investor should determine the principles of managing his risk. At the same time, the following options are possible:

- not take any measures, hoping for a favorable situation;

- to diversify investments in countries, types of securities, sectors of the economy and securities;

- increase the share of investments in non-risk assets;

- choose less risky assets and investment currencies based on the forecast of their quality;

Take special measures to protect against the adverse change in the price of the asset and / or exchange rate (Fedorenko, 2004).

Options for building a portfolio of investments in modern conditions.

At present, due to the significant development of international economic relations, an investor who has available free funds and wishes to place them in a portfolio of investments in different ways, namely to formulate a portfolio of investments with:

- 1) instruments of national issuers denominated in the national currency (valuable papers of state, regional and local authorities, national joint stock companies, deposits in the national currency).

Advantages of the approach:

- the possibility of obtaining a sufficiently complete information on issuers;

- possibility to maintain own statistics on stock and money markets;

- use of the national currency only, excluding currency exchange risk;
- the absence of additional costs associated with investing abroad (including transactions);
- possible tax and other benefits for resident investors as compared to non-resident investors.

The disadvantages of this approach are:

- reducing the opportunities for risk diversification and higher returns relative to the profitability of national markets;
- lack of guarantees of protection against negative external factors, while at the same time depriving them of the positive influence of the world investment market.

2) securities of foreign issuers, which are denominated in national currency and are rotated on the national market (so-called foreign stocks and bonds). For example, a subsidiary company needs Japanese yen to fund its operations and it issues its bonds denominated in that currency on the Japanese market.

The advantage of this approach is:

- the possibility of obtaining a higher quality or lower risk of such securities.

Disadvantages of the approach:

- possible difficulties in obtaining information about issuers;
- high currency risk (the risk of a fall in the issuer's exchange rate relative to the investor's currency).

3) instruments that are rotated on the national stock and money markets but are denominated in foreign currency.

Advantages of the approach:

- the possibility of obtaining additional income while increasing the rate of the national currency;
- Reduction of the overall portfolio risk when the national securities market falls or the national currency rate falls.

Disadvantages of this approach:

- introduction of administrative restrictions on operations with foreign currency;
- the risk of falling currency exchange rates relative to both the national currency and other currencies;

4) securities that are traded on the international market and the euro market (Lukyanenko, 2003).

Part 2. ESSENCE, MOTIVATION AND MODELING OF INTERNATIONAL INVESTMENT ACTIVITY

2.1 Development of the theory and methods of using investment resources.

The first theory of international investment is the theory of capital movements, which was created to explain foreign direct investment in terms of differentiation of profits or interest rates in different countries (corporations cross national borders, with the aim of obtaining higher profits abroad, compared with expected profits in the domestic market), explains the motivation of small and medium-sized corporations, which in fact are aimed at the fastest gaining of foreign profits in census, rather well with expected return on the domestic market, trying to maximize the consolidated net present value of the flow of payments in the current and future years.

In 1960, the theory was expanded by Gaimer and Kinderberger, who denied the adequacy of the assumption of pure competition, by motivating that external investors should have certain advantages over local firms in order to receive higher incomes. This theory is called the theory of market imperfections.

The model of the supply of savings by households (individuals) I. Fischer reflects the essence of the theory of intermittent choice. The model is based on the assumption that the principle of choice for a rational person will be that it will make such a decision relative to its own resources, which will provide the highest possible level of well-being. An important question of the theory of intermittent choice is the reaction of an individual to change the market interest rate. With an increase in the market interest rate, an individual can receive more in the future for a unit of today's savings - and this stimulates the individual to save more (there is the so-called replacement effect). However, an increase in the market interest rate increases the volume of future consumption, which reduces its relative value for an individual and encourages it to reduce the amount of savings (there is the so-called effect of income). This means that the individual decides on the volume of consumption and savings under the influence of the opposite directions of the effects of replacement and income. The graph of this dependence is the curve of an individual savings offer. With relatively low values of the market interest rate, the growth of the profitability of savings leads to an increase in their volume, and when the market interest rate exceeds a certain level, the amount of savings begins to decrease (Mamirbekov and etc, 2019).

The effect of substitution and income effects is based on the process of assessing the individual's own net present income in the event that a decision is made whether to invest or not invest, for the purpose of which a certain amount of the market interest rate (which characterizes the amount of future profits) and a discount rate for calculation of net present income (characterizing the magnitude of risk) (Sazonets, 2007).

2.2 The theory of the formation of the portfolio of G. Markovitz and the one-factor model of the capital market of Sharpe.

The appearance in 1952 of the article by G. Markovitz, entitled "Choosing a portfolio", initiated the theory of an optimal portfolio. Markovitz proposed theoretically-probabilistic formalization of the concepts of profitability and risk, which made it possible to translate the problem of choosing the optimal portfolio into the language of mathematics. It was he who drew attention to the generally accepted practice of diversification and proved that investors could reduce the standard deviation of the portfolio's returns by acquiring shares, the prices of which vary in different ways.

Markovitz's portfolio investment theory is based on a few very important assumptions:

- A portfolio is effective if no other portfolio offers higher returns at the same or lower risk level.
- Investors take the average historical or potential returns for the expected return on their investments.
- The risk indicators are dispersion and standard deviation.
- All investors invest in the same term.
- All investors make investment decisions based on expected returns and risk of these investments.

Single-factor capital market model of Sharpe. In the first half of the 1960s Markovic's student, V. Sharp, proposed the so-called one-factor model of the capital market, in which the famous "alpha" and "beta" for the first time featured shares. Based on a one-factor model, Sharp developed a simplified method for selecting an optimal portfolio by reducing quadratic optimization to a linear one. In the simplest cases, this problem can be solved even without the computer technology. Thanks to this simplicity, Sharpe's theory has become practically applied already in the 70's, when the first programming packages began to appear with the development of the program, which were intended to solve the portfolio management problem. The single-factor model of Sharpe became the basis of the capital asset model (SAMM) - Capital Assets Price Model) (Tkalenko, 2006).

2.3 Mandell-Fleming model for operations of financial institutions.

Financial resources accumulated by financial institutions may be invested in them internally, as well as taken out of the country in the course of loan operations,

Purchase of securities of foreign investment funds or purchase of foreign corporate securities in financial markets, which is a system of market relations that ensures the accumulation and redistribution of financial flows for the purpose of continuity and profitability of reproduction.

When considering the transactions of financial institutions with resources outside the country, taking into account the relationship of the open economy, the Mundell-Fleming model is used. In the model

The market for goods and services and the financial market are considered on an equilibrium basis. According to this model, the flow of capital depends positively on the difference in market interest rates in different countries, that is, the lower the profitability of domestic assets in comparison with foreign ones, or the more profitable investments outside the country compared with investments within the country, the greater the capital outflow and the smaller will be imported. The behavior of the financial institution in the financial market is largely influenced by certain macroeconomic factors and the government's economic policy, since this behavior depends on the state of the national economy - aggregate demand and supply of goods and services, inflation, supply and demand for money. An important factor is whether a floating or fixed exchange rate relative to major world currencies is taken in the country where the investment is directed (Horn, 2005).

2.4 Multiple model of Sunny

According to studies conducted by B. Solnick, EVERY valuable paper is affected

an internal factor, which, in turn, is influenced by the factor operating on the world market. Accordingly, the risk that exists in the national market can be divided into the following components:

- the risk caused by the action of the world factor;
- a specific country-specific risk.

The sensitivity of the country to the world market factor is due to the influence of a variety of other factors, including foreign trade, monetary policy, government regulation of the economy and international capital flows. The global beta value of a security (β) depends on the internal beta coefficient (β_{iw}), as well as on the sensitivity of the internal factor to the factor operating on the world market (β_{iw}). Accordingly, the average

expected return on each security is proportional to the global beta (β_i) and internal beta (β_{iw}) coefficient. There is every reason to say that these interdependencies are fully consistent with the basic model of the SAMP. According to Sollnica, 42% of the yield is due to changes in the national stock index, 18% - changes in world stock indices, 23% - changes in the global economy and only 1% - fluctuations in the exchange rate (Vasenko, 2004).

2.5 The theory of arbitrage pricing

Logical continuation of the multiplier model of Solnica was the theory of arbitrage pricing (APT). The theory of arbitrage pricing uses an approach according to which the yield of an asset is determined by several general factors. This theory concerns the relative value of securities, and not the world market portfolio. General factors that affect the yield of a security are rather heterogeneous. APT takes into account the effect of several factors that are common to all securities and affect the relative income (and price) of securities. The level of expected income is sensitive to each of the factors. For each specific factor, this sensitivity ("beta") may be higher or lower for the relevant security. Hence, the income depends on the interaction of these sensitivities.

The expected return on securities is a linear function of the beta coefficients:

$$E(R) = R_0 + \beta_1 RP_1 + \beta_2 RP_2 + \beta_k RP_k \quad (2.1)$$

where RP_k is a factor risk factor risk premium, and R_0 is a risk-free interest rate.

It is necessary to assess the factors affecting the income of the securities. A simple theoretical model, according to which it would be possible to carry out a selection of factors, has not yet been developed.

Analysts in their work often use multiple sets of factors.

- Real economic factors - economic growth, industrial production and energy use
- Monetary factors - changes in interest rates or changes in inflation rates, etc.
- Internal factors - variables reflecting the deviation of the country's domestic economy from trends that are leading in the world economy, etc.
- Industrial factors - a set of factors that are common to all companies operating in one industry (industry-specific factors) (Naumenkova, 2010).

Part 3. INTERNATIONAL INVESTMENT MARKET AND DEVELOPMENT OF ITS STRUCTURE

3.1 International investment market

An investment market can be defined as a market regulating the totality of economic relations that arise between the seller and the buyer of investment resources. According to this definition, the international investment market is a regulator of the aggregate of economic relations that arise between the seller of investment resources and their buyer who are residents of different countries.

The functional structure of the international investment market consists of:

1. Markets of real investment objects:
 - a) Market of direct investment objects:
 - new construction;
 - expansion;
 - reconstruction;
 - technical re-equipment;
 - b) the market of privatized objects;
 - c) real estate market;
 - e) Market of other real investment objects.
2. Market of financial investment instruments:
 - a) Stock market:
 - market for bonds (foreign, eurobonds);
 - share capital market (stock exchange, euro activa);
 - b) The money market.

It is clear that the functioning of the international investment market is possible only in close cooperation with the foreign exchange market. The latter not only serves other markets, but also has its own structure and mechanism of self-development. The daily sales volumes of currencies reach hundreds of billions of dollars. The simplified formula for investment costs is as follows:

$$I = I_a - E_r \quad (3.1)$$

where I_a is a constant factor, E_r is the interest rate, and I_a is the exogenous component of investment expenditures; it changes with the change of general mood in the business world (from optimism to pessimism) and with a significant change in technology. Graphically, this ratio is depicted in Fig. It is profitable to invest up to the point when the

interest rate is equal to the expected rate of net profit.

The money market proposal is mainly determined by commercial banks that supply resources to firms and government. Non-financial companies with temporary cash balances also provide short-term money to banks and other companies in the money market. The largest borrower of money is the National Treasury. Large and most well-known corporations are also active borrowers (they offer short notes). In addition, supply and demand are regulated by the Federal Reserve or the National Bank.

In the capital market, the main borrowers are diverse companies.

In addition, the borrower is the government, issuing long-term commitments under various government programs. Borrowers are also households borrowing money to finance, for example, to buy a new home. The offer in this market comes from various financial institutions, such as banks, insurance companies, pension funds and other similar organizations.

To consider demand and supply on the market of international portfolio investments we will take two conditional countries - the base (home) and the recipient country (foreign), two currencies - national and foreign, two types of securities (for simplification, we consider that these securities are bonds) - national and foreign. An investor can have a portfolio with both foreign assets and national ones. The percentage of return on national bonds will be determined as r_d , and from foreign r_f . Under conditions of fully mobile capital movements between countries, the relationship between the interest rates of the bonds of different countries is represented by the equation:

$$r_d = r_f + E(e) \quad (3.2)$$

where $E(e)$ is the expected percentage change in the exchange rate between the national and foreign currencies (e is the relative number of units of the national currency in terms of the number of foreign currency units; if the expected depreciation of the national currency is $E(e)$ is a positive, negative $E(e)$ means expectations of appreciation of the national currency). If $r_d < r_f + E_e$ then national bonds will be sold and foreign purchased. This process will reduce the prices of national bonds and increase the percentage of profits on them through the feedback between bond prices and the percentage of profit. In addition, the price of foreign bonds will increase and, accordingly, their profitability will decrease. If $r_d > r_f + E_e$ then foreign bonds will be sold, and national ones will be bought and there will be a reverse process. When $r_d = r_f + E_e$, then there is

no objective exciting motive for changing the composition of an investor's portfolio from one type of bond to another.

The demand for financial assets depends not only on the specified mechanism of changing the composition of the portfolio. To the already given variables, we need to add three more - the real national income of the country, the national price level and real national prosperity (Blank, 2003).

The place and role of the securities market in the structure of the international investment market

The securities market occupies a special place in the structure of the modern international investment market, due primarily to the unique features of securities as financial and investment instruments. The leading general tendency of the development of the international financial market is its securitization, that is, the outpacing growth of securities transactions relative to transactions with traditional monetary instruments. For example, in the 90 years on bond loans account for more than 70% of the total volume of international borrowings, while in the 80 years - less than 60%.

There is no generally accepted definition of the international securities market.

In this market, securities trading between non-residents and trade in stock values expressed in currencies other than national ones are traded. In a broad sense, the criterion (Masuma, 2017)

"Internationalism" is determined by whether capital flows from one country to another or "crossed" investment resources national borders.

One of the most important indicators of the market is its capitalization (Masuma, 2017).

Market capitalization is an indicator that reflects the market value of all companies, which are listed in stock exchanges (market value of the company is defined as the product of the exchange rate of the stock on the number of its shares in circulation). Some national markets are traditionally considered to be bonds markets, some - equity markets.

Important for the analysis of the securities market is the division of the market into primary and secondary.

The primary market of securities is the economic space, which valuable paper passes from its issuer to the first buyer. In the primary market, any person with the legal status necessary for this purpose can obtain loan capital by issuing its bonds or shares.

The secondary market of securities is the economic space in which securities are traded after they are sold (directly or through an intermediary) to the first owner who bought these securities from the issuer. This market can be:

- 1) unorganized;
- 2) organized.

The organized securities market can be both stock exchange and over-the-counter.

In most countries in the unorganized market the bulk of securities (about 85%) are turned on, on an organized basis—a relatively small part of them (15%). However, it is the organized market, where the most qualitative securities are concentrated, which determines the market situation and the process of development of the stock market.

OTC (unorganized) market is characterized by the following features:

1. a large number of securities salesmen;
2. absence of a single rate on the same securities (the issue of the rate of securities is resolved during negotiations between the seller and the buyer);
3. securities trading takes place in different places and at different times;
4. There is no single center for organizing this trade and working out its methodology. Trade takes place both in accordance with the requirements of the current legislation and with its violation (Yastremskaya, 2004).

3.2 Features of functioning of the most important international and national securities markets.

The international securities market covers two large segments. This is, firstly, foreign markets - financial markets of the states, which enter into agreements on financial assets of non-residents - foreign securities. In such markets, domestic and foreign investors and issuers operate. Foreign financial markets are subject to the laws of a particular state and operate within a certain national economic policy. This means that the circulation of foreign securities is governed by the law of the country where they were issued. Foreign markets belong to traditional international financial markets. The second segment is the euro market, where the circulation of securities whose monetary component is the euro currency, that is, the currency held in the hands of non-residents of the country of its origin

International securities market consists of two main components - the market of debt securities market of property rights.

The main source of medium- and long-term financing is the international bond market. To date, the total stock of issued international bonds and notes is 6850.0 billion dollars. USA. Among the borrowers of the international securities market is dominated by issuers from developed countries. Today, several national bond markets have the greatest influence on the scale, structure and dynamics of the functioning of the international investment market. These are the markets of Japan, Switzerland, Great

Britain, Germany and the United States.

Japan's bond market can be divided into three parts: long-term / medium-term, short-term and Samurai bonds. Issue and trade in bonds are controlled by the Ministry of Finance.

Describing the market for Japanese long-term / medium-term bonds, we note that it is characterized by a variety of both government and corporate bonds issued through national and foreign organizations: open government bonds, bonds of government bodies, municipal bonds, financial debt obligations, corporate bonds.

The short-term bond market consists of securities with a variable and constant interest income: Gensaki securities, Samurai bonds.

Securities denominated in Swiss francs are extremely attractive to foreign investors because of the relative stability of this currency. The profits on them are usually low, but it is real inflation based inflation. At a time when the Swiss franc was very different from other currencies, the Swiss National Bank introduced certain restrictions on the purchase of Swiss securities for investors who were outside the country. Currently, there are virtually no restrictions on this market.

The main categories of securities in Swiss francs are Schweizerobligationen and

Kassenobligationen. The first is national bonds with a maturity of 8 to 15 years, they are issued through the state, corporate, financial and nonfinancial institutions of Switzerland. The second is medium-term notes issued by national banks with a maturity of 3 to 8 years.

The UK National Securities Market consists mainly of:

1. Money market: discounted bills and negotiable deposit certificates;
2. Government securities (Gilt);
3. Bonds of local authorities;
4. Foreign bonds (bulldog-bonds).

There is also a corporate bond market (it is not the main source of financing corporate sector in the UK). Today, he is mainly represented by debt obligations and unsecured bank loans.

The most important representatives of the money market are discounted bills. These are bills of the Treasury of the United Kingdom (usually 91 days) and commercial bills of exchange (maturity within 90 or 180 days). Both types of bills are issued at a discount.

British banks also issue certificates of pound sterling with a maturity of 3 months to 5 years.

Gilt-Market is the largest of all sterling markets. It is extremely liquid

and provides different maturities.

The German bond market consists of public bonds, bank bonds, Schudscheine and corporate bonds. The foreign bonds market is treated as part of the euro market. The Deutsch Bundesbank does not distinguish between Eurobonds and any bond issue in German marks conducted by an international group of banks (underwriting). Foreign investors can buy government and bank bonds only in the secondary market. The maturity of some long-term bonds of the past

Issues - up to 40 years. Now the maturity reaches a maximum of 10-12 years.

In addition to long-term bonds, public organizations issue notes from maturity from 2 to 5 years. The Government also issues six- and seven-year savings bonds, which can be redeemed at any time at par value with the payment of accrued interest.

In the short-term market, the government issues discounted and financial notes with a life span of up to 2 years. Discounted notes are sold through Bundesbank on an open market, while financial notes are issued specifically for institutional investors and sold through bank syndicates.

Schuldscheine - transferable short-, medium- and long-term loans. They can be issued without the consent of the Bundesbank and not subject to tax discrimination, which until 1984 made them especially attractive to foreign investors.

The US Fixed Income National Securities Market is located in New York,

York and is the largest in the world. It can be divided into six sectors:

1. Government securities;
2. Municipal bonds;
3. Corporate bonds;
4. Collateralized securities;
5. "Yankees" -bonds;
6. Money market instruments.

The government securities market consists of issued securities

US Treasury and various federal organizations. It trades securities with maturities of 5 to 40 years. Treasury bills may have maturities of 13 weeks, 26 weeks or a year; they are sold at a discount.

Treasury notes and bonds are paid every six months.

Treasury notes are issued with a maturity of 1 to 10 years and are non-repayable during their existence. Treasury bonds have a maturity of 10 to 30 years.

Securities agencies are issued by US government agencies. They have

no guarantee

Treasury The increased interest of investors in this market is due to its investment

quality and development of the secondary market. Such securities have diverse issues: from discounted notes with a maturity of 5 days to securities with a maturity of 40 years.

Municipal bonds are issued by local and state government agencies and agencies. Their maturity is up to 40 years.

Corporate bonds are issued by US corporations and can be as short-term and long-term. All issues have higher yields (somewhat higher) than treasury bonds of similar maturities.

Janki-bondzhatsii - securities issued by foreign borrowers with the help of American syndicates. They are registered with the US Securities and Exchange Commission. Currently, they have maturities of 5 to 8 years. The issuers are usually international institutions, foreign governments or their agencies, although there is a small number of permanent corporate borrowers.

The largest and most active part of the euro market is the mid-market market

long-term unsecured bonds. Today, this market is under the influence of various innovations. Yes, the market of securities with special floating maturities is developing and so on. Such innovations appear to meet the demands of certain groups of investors. At the same time, the following general key characteristics are characteristic of Eurobonds:

1. Interest payments are exempt from taxes;
2. Bonds are issued almost always bearer;
3. The bulk of the bonds is unprotected;
4. In almost all cases, openly offered securities are quoted on one or more stock exchanges, although issues may also be traded on the over-the-counter market. The fundamental requirement of the Eurobond market is that bonds should be bearer bearers with coupons attached. Eurobonds are often issued at par US \$ 1000 or US \$ 5000. Recently, larger institutional investors are being issued denominations (from US \$ 10,000 to US \$ 500,000).

The Eurobond market is characterized by a lack of regulation of activity (although certain regulation is carried out by central banks at the time of acceptance of their issue in various currencies, as well as banks that manage emissions).

Among the Eurobonds, we will include fixed-interest bonds. Their main varieties are:

- direct bond - fixed interest bonds with a series of annual coupons; they are also called "plain vanilla";
- bonds with zero coupon (zero bond) - do not have any payments before maturity, are sold below nominal, and provide profit to the owner;
- deep discount bonds (bonds), on which annual interest is paid, but unlike other bonds, this percentage is lower than prevailing market interest. Therefore, these bonds should be sold at a discount similar to zero-coupon bonds;
- retractable / extendable bond - these bonds usually have a maturity of 12-15 years, but the initial percentage may vary due to a shorter period (3-5 years);
- partially paid bonds (the partly paid bonds) - the investor initially pays only part the value of the bond (15-30%), the rest pays later (in 6-9 months). If an investor does not pay a balance within a certain period, he loses the initial payment and, accordingly, the bond;
- medium-term notes (MTN) is a relatively new type of bond in the European market with maturities ranging from 1 year to 5. They have the same characteristics on coupon payments, such as direct bonds;
- dual currency bonds (bonds), which are paid by one currency, and coupon payments and repayments are made in a different currency (weaker). During the period of validity of bonds it is considered that the exchange rate between two currencies is fixed.

Floating Rate Notes (FRN) are bonds whose coupon payments are re-assigned at intervals (usually every 3 or 6 months) and of course tied to an increase in London's proposed interest rate on the interbank market (LIBOR - London Interbank offered Rate).

Convertible bonds are fixed-interest bonds that can be converted into ordinary shares of the issuer or other bonds guarantor. An essential component of a convertible bond is the exchange rate between the bond currency and the issuer's shares. If these currencies are different, then their fluctuations relative to each other will significantly affect the exchange value.

Recently, valentines are gaining strength on the bond market. They can be issued with bonds (which in this case are called host-bonds) or separately from them (such

Warrants are called naked). Vendors are physically separate from bonds or shares and trade them mainly separately, they can be divided into two most important types (Chernetchuk, 2005).

Part 4. INTERNATIONAL ENTERPRISE INVESTMENT ACTIVITY AND ITS MOTIVATION

4.1 International investment in the context of internationalization

International entrepreneurial investment activity develops in the context of deepening the internationalization of the economy, strengthening the processes of socialization of capital, improving forms and methods of its concentration and exports, diversifying production in a dynamic competitive environment.

For the most part, the enterprise entering the foreign market, considers the advantages and disadvantages of the following variants of activity: export; contract co-operation agreements, including licensing and franchising; creation of a foreign joint venture, own production or branch.

Table 4.1. Basic forms of entering foreign markets

Exit form	Advantages	Disadvantages
Export	Preserving control over the production of the product Support for production in the country	Vulnerability to foreign ones protectionist barriers Sensitivity to fluctuations in exchange rates
Contract cooperative Agreements: • licensing • franchising	The low need for investments	Minimum level real control
Joint ventures	Minimality of risk Need for smaller ones costs than in the case of the creation of its own production subsidiary	Necessity highly desalinated contract work Management complexity
Creating Abroad own production branch	Ensuring full control Localization Production	Necessity of significant investment Possible unpopularity

In the field of international management distinguish external (external) and internal (internal) factors that influence the choice of the form of entry to foreign markets.

The most important external factors are:

- 1) market factors of a foreign country: the size of the market and the prospects for growth, competitive structure, etc .;
- 2) environmental factors of a foreign country: government policy towards foreign directors investment; geographical distance; economic

growth, external relations of the country, etc.;

3) production factors of a foreign country: availability, quality and cost of raw materials, working strength, as well as the degree of infrastructure development (transport, communications, etc.);

4) country-based factors: market size, cost of production, competition conditions, the level of government support for international business, etc.

Among the internal factors that most influence the choice of form of foreign activity, it is possible to distinguish two main groups:

1) product - the degree of product differentiation, warranty and post-warranty service, technological level, potential of global standardization, etc.;

2) resource - managerial, investment and technological resources, production and marketing experience; an assessment of the importance of foreign activity, which gives the highest management of the firm (Tkalenko, 2006).

Another important issue that often occurs at the initial stage of the internationalization of the firm is the choice between simultaneously entering several foreign markets and targeting one of them in order to gain experience in mastering other potentially available markets in the future. For the most part, the simultaneous output of several foreign markets at once requires excessive high prices resource costs, which may be unacceptable for a firm that does not have international experience. However, due to the simultaneous development of several markets, the company may receive additional competitive advantages associated with time factor and potential savings in scale of activity.

The scale, dynamics and effectiveness of international entrepreneurial investment activities are influenced by a combination of many interconnected factors (global economic, general economic, resource-economic, political-economic). Under their influence, the relevant strategic orientations of the countries of origin and host countries, which, in their turn, affect the motivation of direct partners.

For countries of origin, traditionally the main among which are industrialized countries, decisive macroeconomic factor for export orientation of direct business capital is the balance of import and export investments. In this connection, three groups of countries are distinguished:

- 1) those that mainly export capital (eg, Japan);
- 2) preserving the approximate equilibrium of exports and imports of capital (Germany, France);
- 3) net importers (Ireland, Spain, Portugal, USA, Turkey).

Recently, the major exporters of capital have also become South Korea, Taiwan, China, the country The Middle East. Characteristically, unlike the practice of exporting investments by these countries in the 70s,

In the 1980s, developing countries expanded their exports of capital to industrialized developed countries (for example, Taiwan exported about 60% of its investments to the United States) (Grinyov and oth., 2011).

4.2 Benefits and Constraints of Foreign Business Activities

For the host country, the attractiveness of direct investment is due to the fact that:

- imports of direct business capital increases production capacity and resources in the country, promotes the dissemination of advanced technology and managerial experience, and the improvement of the skills of labor resources;
- under the conditions of investment import, there are not only new material and financial resources, but also mobilize and more effectively use national resources;
- direct investments contribute to the development of a national research base;
- imports of direct investment stimulate competition and its associated positive phenomena (undermining the position of local monopolies, lowering prices and improving the quality of products, replacing both imports and obsolete local products);
- such imports increase demand and prices for national (local) factors of production;
- in the country, budget revenues in the form of taxes are increasing for the activities of international joint ventures;
- for weak control over the use of state-owned debt, investment risk is transferred to foreign investors who independently solve the problem of self-sufficiency.

At the same time, it should be pointed out the deterrent factors of foreign business development:

- imported resources work for payback and profit, which then repatriated. Moreover, in the long run, the outflow of resources through repatriation of profits should exceed the amount of primary deposits. Therefore, it is expedient to speak about the growth of the productive potential of the receiving country at the expense of foreign investments only in view of their stimulating effect on the economic development of the country as a whole;

- the objectives of a foreign investor may not coincide with national ones. In practice, how the rule can not avoid collision of national interests and interests of foreign investors. Often there is discrimination of the national sector, which is intensified by legal measures of macroeconomic stimulation of foreign investment;

- enterprises with foreign investment (FDI) as channels of technology transfer often become relatively closed enclaves in the national economy, weakly connected with the other part of it, which, however, falls on the costs of ensuring the functioning of the enclave. In this case, the power of the enclaves effect is inversely proportional to the level of development of the host country. In addition, the host country (even industrially developed), as a rule, almost does not participate in the creation of new technology, and receives its final product. The transfer of part of the research work to the host country takes place mainly in the low-tech sectors;

- FDI may enter into an agreement with the oligopoly (or even worse, monopoly) operating in the local market, as well as restraining on national entrepreneurship by absorbing financial flows in local and foreign currencies;

- substantial inflow of foreign investments is most real in the raw materials industries; in the processing foreign investment in the industry is mainly import-substituting;

- unregulated development of FDI can increase the social stratification of the population the host country.

Engagement by developing countries and countries with economies in transition

Foreign investments are considered by economists as one of the factors of the market transformation of these countries in the context of their integration into the modern world economic system. On the other hand, the improvement of the economic environment in the process of transition to the market stimulates direct foreign investment (Commercial Code of Ukraine, 2003; Brotmann, 2019).

4.3 Motivation of direct partners of international entrepreneurial investment activity

The main reasons for using FDI as a strategy for entering the foreign market are:

1. Production and economic motivation:

- reduction of capital costs and risk when creating new capacities;
- purchase of raw materials or new production facilities;

- expansion of existing production capacities;
- realization of advantages of cheap production factors;
- the possibility of avoiding cyclical or seasonal instability of production;

- adapting to the process of reducing the life cycle of products.

2. Marketing motivation:

- increasing the effectiveness of functioning marketing;
- purchase of new trading channels;
- the possibility of penetrating a specific geographic market;
- studying needs, gaining managerial experience in new markets;
- adaptation to the host country.

3. Non-declared and rarely investigated motives:

- advocacy and prestige, which are characteristic both for large corporations abroad, as well as for international business in certain spheres (tourism, service, etc.);

- personal when FDI is created by founders of one nationality or on a family basis;

- ecological, when the tasks of removing the ecologically dirty industries from developed countries are solved.

In turn, firms in developing countries, with the attraction of investments, are guided by:

1. access to new technologies and advanced management methods;
2. the use of the partner network and the world-famous brands;
3. Mobilization of additional financial resources, etc.

It should be noted that investments abroad are used not only for the development of the market the host country, but also for the purpose of further entering the markets of neighboring countries or entire regions (Pehnik, 2007; Ахметова, 2019).

4.4 TNCs as a subject of international entrepreneurial investment activity.

The main subject of international entrepreneurial investment activity is transnational corporations. Although today about 40 thousand firms from different countries, controlling 280 thousand foreign affiliates, are in a transnational stage of development, until recently there is no generally accepted definition of TNCs. There are three main criteria for the belonging of a corporation to TNC: structural, performance and behavior.

1. According to the structural criterion, TNCs are firms with their own branches of two or more countries (according to some researchers in the

least than six countries), or it is a firm whose owners or senior management personnel are citizens of different countries (with the activities of the TNC being controlled by the headquarters located in one country, which is why they distinguish American, Japanese, Austrian and other TNCs).

2. According to the criterion of effectiveness of TNCs - is this or that firm, which is defined as TNCs on the basis of absolute or relative indicators. In accordance with the UN methodology, the international nature of the activities of TNCs can be analyzed in three key indicators:

- the ratio of foreign assets of TNCs to the total assets of TNCs;
- the ratio of the volume of sales of TNCs abroad to the total volumes of TNCs;
- the ratio of the number of employees employed in foreign units of TNCs to the total number of employed TNCs.

The arithmetic mean of these three indicators is called the transnationality index, which serves as a generalization criterion for the international activity of TNCs.

Naturally, in the activities of TNCs, priority is given to foreign direct investment. Mergers and acquisitions allow TNCs:

- 1) obtain the strategic assets of other firms, monopolize the markets;
- 2) achieve synergy effects;
- 3) increase the size of TNCs;
- 4) diversify risks;
- 5) use new financial opportunities;
- 6) realize personal interests of senior management, etc.

3. According to the criterion of the behavior of TNCs. In the middle of the 80's, first in several of the most active TNCs, and then in their broader circles, global strategies were formed when simultaneously taking into account such rules of conduct in international markets:

- a) have a global vision of markets and competition;
- b) Know their competitors well in the oligopolistic market structure;
- c) control their operations, if not globally, at least at triad "USA - EU - Japan";
- d) operate in high-tech industrial sectors;
- e) coordinate their activities through flexible manufacturing and information technology;
- f) integrate their factories and specialized branches into a single international management network;
- g) integrate with other TNCs, etc (Matiushenko, Goddess, 2006).

Part 5. INTERNATIONAL INVESTMENT OPERATIONS WITH PRICE PAPER.

5.1 Characteristics of stock market indicators and the impact on them of multiple quotes

The basis of international portfolio investment is securities transactions.

Valuable paper is a document that certifies the property right or the ratio of the loan owner's document to a person who issued (issued) such a document.

Most securities must undergo a special registration procedure.

Securities, like other complex objects, can be classified according to numerous features, namely:

- economic nature (property relations - action, credit relations - bond, note bill);
- type of right to be realized (monetary claims - bond, promissory note, property rights share, mortgage, bill of lading);
- economic status (stock and commercial);
- material form (depersonalized documents, records on accounts);
- ownership (state and non-state);
- national affiliation (national, foreign, international);
- features of issue and circulation (target orientation, turnover, profitability, transfer of property rights, order of satisfaction of claims, order of observance of maturity, etc.).

It is important to focus attention on the diverse investment value of certain securities. Some of them (promissory notes, deposit certificates and other short-term papers) are turning in the money market as substitutes for settling payments for goods and payments, and various obligations, occasionally fulfilling the role of means for short-term investment in order to receive income. Other securities (stocks, bonds, investment certificates, etc.) turn around in the capital market and serve to finance long-term investment in production and commercial activities.

Essential characteristic of the types of shares

A share is a unitary security, which stipulates the rights of its owner to receive a share in the profit of a joint-stock company in the form of dividends and participation in the management of this company, as well as in part of the property during its liquidation. The action is an indefinite document and exists as long as there is a joint-stock company (Baku State University, 2019).

Shares are nominal and bearer. In the first case, the owner's name is

necessarily entered in the registration book (register), which is maintained either by the issuer itself or by the registrar or depositary. In the second case, the shares are not registered and the actual possession of the share so that its owner confirms that he is the shareholder of the joint stock company. It must be necessarily paid by its owner.

By the degree of free circulation shares are divided into open and closed. Any buyer can become the owner of an open share, and only some (certain categories) will be closed. There are also promotions that do not have any going on the market at all.

The share may be foundational, that is, which is distributed only among the founders of the joint-stock company and gives them some advantages: an additional number of votes, the primary right to receive shares of subsequent issues, a decisive vote when making decisions on the company's activities.

From the numerous classification marks of shares markedly distinguished several main - fixed income, participation in management, etc. Regarding these signs, the shares are divided into ordinary (simple) and privileged (preferential).

A share is ordinary if it certifies: a) the right of the owner to participate in the management of affairs of a joint-stock company; b) the right to receive dividends, with non-guaranteed and non-fixed; c) the right to a certain part of the property that remains after the liquidation of the joint-stock company (Baku State University, 2019)..

A share is a privilege if it certifies: a) the right of the owner to receive dividends, mainly with a fixed interest paid regardless of the results of the joint stock company; b) the preferential right (in comparison with the owners of ordinary shares) to receive dividends first and participate in the distribution of the joint-stock company's property during liquidation (if such a priority is stipulated by the terms of issue of shares).

A privileged share can not be issued for an amount exceeding 10% of the authorized capital of a joint-stock company.

There are the following types of privileged shares:

1. Preferred shares with adjusted dividend. This is such a valuable paper that allows its owner to receive a quarterly increased dividend reflecting changes in interest rates on short-term government bonds or a loan interest rate on bank loans.

2. Privileged share with deferred dividend. This is a valuable paper, which is issued only for the founders of this joint stock company. Dividends on this share are not paid until the ordinary shares will receive dividend payments at the maximum established quota. The part of the profit

remaining after such payments is distributed, in whole or in part, between the holders of the said shares.

3. Cumulative privileged share. Most preferred shares are cumulative, that is, they have the property of cumulation (accumulation) of dividends, which gives them increased reliability. The rule is as follows: dividends not paid to shareholders for a certain period are not canceled, but accrued and accrued to owners of preferred shares. They receive income in the next period in the amount of the accumulated amount

4. Convertible privileged share. Regardless of cumulative nature, preferred shares can be convertible, that is, they have the ability to exchange at a specified rate for a certain number of ordinary shares or bonds of the issuer (Peresada, 2002).

One of the main indicators that characterize the size of the stock markets is the market value of the shares flowing on them, or market capitalization.

Market capitalization is an indicator that reflects the market value of all companies, which are included in the listing. Market capitalization can be defined as the absolute sum, as well as the market value of shares in% to the nominal amount of GNP (or GDP).

Listing - this is the listing of shares in the list of shares listed on a particular stock exchange. Not listed in this list are sold "from the counter", in the "street" market.

Another indicator of the activity of national stock markets is the volume of transactions. According to this indicator, the leading positions are occupied by the USA, Japan.

Another important indicator of an international investor is the degree of concentration of stock markets (stock markets), which is defined as the ratio of volume market capitalization of the 10 largest companies in the country to the total market capitalization. This indicator can characterize the national market, both positive and negative side. That is, the given indicator characterizes whether these markets are a set of shares of many small companies, or they are in circulation mainly shares of several large companies. So, shares of large companies are often much more liquid than small ones. However, a highly concentrated market gives less opportunities for portfolio diversification and an active investment strategy. By the indicator of market concentration in the leading position of the Netherlands, followed by Italy, Switzerland, Canada, France.

With international investments in the stock should be taken into account that the shares of large companies simultaneously listed on several national stock markets, that is, have a plural quotation. Theoretically, such shares must be quoted at the same price on all exchanges taking into account

exchange rates and corresponding transaction costs; in the other the case appears for risk-free arbitrage, which equates stock prices.

An investor who wants to buy foreign stocks usually has a choice of several options:

1. he can buy these shares on his national market if they are quoted there;

2. An investor can buy foreign shares through national financial institutions dealing with investments in foreign markets that interest him;

3. It is possible to buy foreign shares directly on the relevant national market (usually done by large investors).

Despite transaction costs, companies are interested in simultaneously quoting their stocks in different markets as it gives access to international markets with potentially high volumes of investment; increases the credibility of the company, which allows to increase current and future investments in the stock; promotes the advertisement of the company's products on the world market (Pehnik, 2007).

5.2 Organization of stock trading on different national markets. Classification of securities market participants.

Trading in shares of different countries occurs both on stock exchanges (stock exchanges) and on over-the-counter markets. As a special institution of the secondary stock market.

Exchanges promote capital accumulation, distribution and redistribution, as well as control over investment and inflation. In the whole world there are about 200 stock exchanges, united in the International Federation of Stock Exchanges. The largest of these are the exchanges of New York, Tokyo, London, which account for up to 60% of the global stock trading volume,

Frankfurt - 10%, Taiwan - 6%, Seoul - 4%, Zurich - 4%, Paris - 3%, Kuala Lumpur - 2%, Hong Kong - 2%. However, in each of the leading countries of the world is mostly several stock exchanges where most of the stock transactions are carried out. Below are lists of cities in which there are exchanges of nine countries with the most advanced stock market. (tab. 5.1)

Over-the-counter markets have a small share of turnover.

It is worth noting that each significant (world) stock center has its own characteristics that need to be taken into account when implementing investment strategies and tactical measures to minimize transaction costs.

Table 5.1. Cities with the most developed stock market (in order of decreasing significance)

Countries	Cities where exchanges are located
USA	New York (2 exchanges), Boston, Chicago, San Francisco, Cincinnati, Philadelphia, WA
Japan	Tokyo, Osaka, Nagoya, Kyoto, Hiroshima, Fukuoka, Niigata, Sapporo
United Kingdom	London, Glasgow, Manchester, Lid, Belfast, Birmingham
Germany	Frankfurt, Munich, Hamburg, Berlin, Stuttgart, Hanover, Bremen
France	Paris, Bordeaux, Lille, Lyon, Marseille, Nancy, Nantes
Canada	Montreal, Toronto, Vancouver, Calgary, Winnipeg
Switzerland	Zurich, Geneva, Basel
Italy	Milan, Rome, Turin, Genoa, Bologna, Florence, Naples, Palermo, Trieste, Venice
Australia	Sydney

Japanese stock market.

About 70-75%, or about 2000 titles of shares admitted to quotation on Tokyo Stock Exchange, are in the first of two categories, or groups, shares. The first group is made up stocks of companies with high market capitalization, and in the second - shares of companies with a low level of capitalization.

Transactions on the Tokyo Stock Exchange are held on two two-hour trading sessions: morning (zenba / zenba), which lasts from 7 to 9 o'clock in the morning, and on the day ("goba" / goba) – from 11 to 13 o'clock in the afternoon. Trade in the most active stocks on the Tokyo Stock Exchange (about 160 titles) is carried out not through specialists, but through a computer network. Over 60% of the total volume of trade in Japanese shares falls on 4 brokerage firms and their branches: Nomura, Daiwa, Nikko, Yamaichi. Foreign brokers received access to the Japanese stock market only in 1985.

The stock market in Japan is dominated by shares of industrial companies with a high level of diversification. The Japanese stock market also includes Osaka Stock Exchange, where shares of about 1000 companies are quoted, a small over-the-counter market (200 stocks), small regional exchanges.

Features of the Japanese stock market:

- stock prices are highly dependent on property prices in Japan (extremely high);
- according to analysts, the price of Japanese stocks is very high

compared to the prices in the USA;

- there is a concealment of information for investors by Japanese companies. This is facilitated by the specifics of the organization of Japanese business (large semi-clan associations of banks and industrial corporations that are closely linked to the finances of the government and the Bank of Japan), and Conscious policy of reducing the transparency of business in order to prevent the loss of commercial secrets.

London Stock Exchange.

The London International Stock Exchange is the largest in Europe. Foreign companies got access to it only in 1986; In the same year, fixed rates of brokerage commissions were canceled, and trade operations were started using computers.

The six-hour trading session on the London Stock Exchange starts at 9 am and ends at 3 o'clock in the afternoon.

German Stock Market.

The German stock market system is represented by 8 exchanges. The largest is the Frankfurt (FSF), with more than 1,000 companies listed on it, most of which are traded on foreign exchanges.

Exchange trading takes place during a short two-hour session from 1130 to 1330.

Other German exchanges are located in Munich, Hamburg, Dusseldorf, Stuttgart, Hanover and Bremen.

In April 2000, the London and Frankfurt Stock Exchanges announced the future merging into a single exchange "Ai-x". As a result, the German and British stock markets would be merged into one. Europe already has an example of a so-called merger of exchanges: the Paris, Brussels and Amsterdam exchanges have been united in the so-called Euronext. But here it is not about the merger, but about the union.

US stock market.

The United States Stock Market is represented by two major stock exchanges

NYSE and American (AMEX) exchanges, as well as an over-the-counter market, whose stock trading is carried out within the framework of the computer quotation system of the National Association of Securities Market Participants. Ha The New York Stock Exchange still has traditional trading in the hall, although it increases computerized order processing and trade. Investors from the UK, Singapore, and other countries have access to the electronic system.

The specificity of the current stage of development of the American stock market is the active investment through the system of depositary

receipts. American depositary receipts (ADRs) enable US investors to buy and sell shares of foreign companies without operations directly on foreign exchanges and markets. ADR is a receipt (receipt), which confirms ownership of the shares of a foreign company. Usually stocks are kept in the bank of the issuer's country, and the correspondent bank in the USA issues ADRs that represent shares in the open market.

ADRs may or may not have so-called "support" from the "issuer". Owner ADR with "support" has access to the financial statements of the issuing company and receives the right to vote at the shareholders meeting. Absence of "support" means that the owner of such privileges is deprived.

In order to be admitted to quotation, the company must meet the following requirements: Profit before tax payments in the last year - 2.5 million dollars;

Profit for 2 preceding years - 2.0 million dollars;

Net worth of tangible assets - USD 18.0 million;

Number of shares in public ownership - \$ 1.1 million; Exchange price of shares - USD 18.0 million;

The minimum number of shareholders owning 100 and more shares - not less than 2 thousand. In addition, the average monthly volume of trading in shares of this issuer should be not less than 100 thousand dollars. during the last 6 months.

Data on the results of tenders on stock exchanges are published in the press, usually in the form provided in the table. 5.2

Table 5.2. Data on stock quotes

New York Exchange Composite Transaction										
52 weeks		Stock	Div	Yld %	P/E	Vols 100s	Hi	Lo	Close	Net Chg
High	Low									
110 ⁵ / ₈	85 ¹ / ₈	ABC	5,5	6,0	15	125	95 ⁷ / ₈	93 ¹ / ₈	94	+3 ³ / ₄

From the data shown, it is clear that ABC shares (Stock) listed at the lowest (Low) prices, equal to 85 1/8, up to the highest (High) - 110 5/8 US dollars. Dividends for the year (Dividend - Div) for one share amounted to 5.5 USD. USA. Yield - Yld, which is defined as the ratio of the dividend to the average share price for the year, was 6%, and the ratio of the market price of the stock to the income for the year (Pp / ((High-Low) + div) / Price / Earnings - R / E) was 15. For the reporting day 125 lots of shares were sold for 100 pcs. (Vols 100s), that is, everything 12500 shares. During the day, the highest (High - No) stock price was \$ 95.7 / \$ 8, Low - Lo \$ 93.1 /

\$ 8. The stock exchange at closing of the stock at the end of the day (Close) was \$ 94. The change in the closing rate compared to the closing price of the previous trading day (Net Changes - Net Chg) was +3.7 dollars.

Analyzing modern exchange technologies, it is important to understand that in practically every country there is a system of exchanges. Given the role played by exchanges in national financial and investment systems, it is possible to distinguish groups of countries with a mono- and polycentric organization of stock exchanges (NARXOZ, 2015).

Stock exchanges are organized, as a rule, in the form of private joint-stock companies (USA, UK) or public law institutes (France, Italy, Switzerland, Germany). In particular, the New York Stock Exchange in the form of an organization is a joint-stock company. The work of the stock exchange and the activities of its members are regulated by the charter, internal rules and instructions. To become a member of the exchange, you need to buy a place on the stock exchange at its owner. After that you have the opportunity to bid, use the privileges provided by the stock exchange (Christakos, 2018).

Depending on the type of trading activity, the members of the stock exchange are divided into four categories:

- the broker-commissioner (the largest group of about 500 people) collects at Brokerage firms request clients, delivers them to the exchange office and is responsible for their execution. It is forbidden to carry out operations at their own expense;
- an exchange broker (two-dollar broker) executes commission brokers if they do not have time to execute the order;
- an exchange trader carries out transactions only at his own expense.

The rules of the exchange prohibits him from executing client orders; specialist (specialist) (dealers with no more than 400) perform three basic functions:

- 1) executes applications with certain groups of securities, while acting as a broker;
- 2) acts as a dealer, that is, buys and sells securities at his own expense;
- 3) fulfills the task of maintaining stability in the market of certain securities by compensating for temporary imbalances of demand and supply.

All orders for the purchase and sale of a certain group of shares are delivered to a trading venue, that is, a site in the hall of the exchange, where during the day of operation there is a "specialist" who carries out operations with this group of shares. "Specialists," for example, are central figures on the New York Stock Exchange.

There are several forms of orders for the sale and purchase of securities (stocks and bonds), which

Investors transfer to their brokers for execution on the stock exchange:

- market order - an order for the purchase or sale of a certain type and quantity securities at the best price of the market;
- open order - an order that remains valid until it is there completed or canceled;
- limit Order - An order in which the customer specifies the specific price at which operation must take place;
- day order - order with a daytime execution date;
- order "all or nothing" - the broker must buy or sell all the securities specified in the order;
- contingent order - involves the simultaneous purchase of one and the sale of other securities;
- stop order - an order that is to be executed as a market in the event that the rate of the security falls below or rises above the indicated prices.

Mostly, securities in the form of securities are called stock. In essence, it is unproductive (fictitious) capital. Distinguish fictitious capital: 1st order (valuable securities that provide their owners with direct access to real capital - shares, bonds, investment certificates); 2nd order (securities that give their owners the right

for the purchase of securities of the 1st order - futures, options, warrants); 3rd and 4th orders (complex options, futures options, futures on stock indices, futures options on stock indices).

Participants of the international portfolio investment activity

International portfolio investment activity requires its participants to carry out numerous securities transactions. The main ones are:

- purchase of securities at their own expense;
- purchase of securities on behalf of and at the expense of the customer;
- sale of own securities;
- sale by order;
- informational, analytical and advisory services, which includes analysis of the securities market and the portfolio of financial assets;
- organizational actions that accompany securities transactions (for example, registration of issue, organization of admission to the stock exchange, etc.);
- clearing and settlement of securities;
- registration of holders of registered securities during the transaction

buying / selling;

- storage, immobilization and servicing of securities circulation;
- in the case of a withdrawal of bonds by the issuer before the maturity date, the repayment of the bonds is withdrawn;
- redemption of securities with the onset of the relevant term;
- payment of dividends from shares and coupon payments from bonds;
- conversion into ordinary shares of convertible preferred shares and shares and bonds;
- transfer to a trustee of authority to vote at a general meeting of shareholders;
- secured placement of securities (underwriting);
- reinvestment of dividends from securities and income from the growth of market value;
- placement of bonds;
- portfolio management of securities;
- provision and receipt of securities with securities;
- currency risk insurance.

In world practice, there is such a classification of securities market participants:

- the state, municipalities, large national and international companies;
- institutional investors. They are different legal entities - financial institutions;
- securities market professionals - brokers and dealers.

A broker is an agent or intermediary that helps investors in trading valuable papers A dealer is a person who facilitates the trading of financial assets by creating stocks of various securities.

When buying paper, the dealer increases its stock of securities, and selling - reduces it, earning income at the expense of the difference in purchase and sale prices.

- financial brokers - legal entities that perform intermediary functions during the purchase and sale of securities at the expense and on behalf of the client on the basis of a commission agreement or authorization;
- investment advisers - legal or natural persons who provide advisory services during issue and circulation of securities;
- investment companies are legal entities that operate on the securities market for own account. An investment company is a specialized enterprise for: a) organization and guarantee of issuance of securities; b) investing in securities; c) the purchase and sale of securities by the dealer;
- underwriting is the basic function of an investment company. Such a

concept is associated with him as an issue syndicate. This is a group of underwriters, which, in accordance with the contracts, make placement and guaranteed issuance of securities based on the principles of distribution of profits;

- financial brokers, investment advisers, investment companies and funds perform various securities transactions. Many companies combine these activities.

In world practice for such companies there is a term - securities companies (Securities Firm).

- investment funds - issue shares in order to mobilize the funds of investors and their investments on behalf of the fund in securities, as well as on deposit accounts and deposits No other activity of the investment fund should do.

- an investment bank is a specialized financial institution specializing in operations with securities (their issue and placement) to attract additional funds, as well as long-term lending to their clients, among which may be the state. Investment banks are not banks in the classical sense of the concept, because they do not perform many; types of classical banking operations. •

Commercial banks. The activities of these organizations in the securities market in different countries are not the same, but it may be noted some common patterns of interaction of commercial banks with national and international stock markets. In Germany, where banks have the right to exercise all types of securities transactions, they actively enter the market as issuers (issuing mainly bonds), intermediaries and major investors. In those countries where the role of commercial banks in the stock markets is limited (US, Canada, Japan), they find indirect ways to participate in investment and intermediary activities - through trust companies, lending to investment companies and banks, cooperation with brokerage firms, etc.

Commercial banks are entering the international securities market also through their own network of foreign investment banking branches and subsidiaries. Particularly large scale investment activity of foreign branches is acquired from banks of those countries where there are direct restrictions on transactions with securities (Rudenko, 2008).

5.3 International bond market. Types of bonds

The international bond market is a set of national markets and markets Eurobonds. National markets are bought and sold:

- firstly, domestic bonds issued by national borrowers and nominated, as a rule, in the national currency (there are cases when there are government bonds of domestic foreign currency loans denominated in US

dollars);

- secondly, foreign bonds issued by foreign borrowers or nominated, usually in national currency, may be in circulation on national markets.

Uniform (single) bond market does not exist.

Eurobonds are spread through a multinational syndicate of banks on the international interbank market and on national markets are not in circulation. The Eurobond market has virtually no regulation and restrictions.

Capitalization of the global bond market is roughly equal to the capitalization of the global stock market. In this case, almost 50% of all bonds are denominated in US dollars, 20% - in Japanese yen, 30% - in European currencies. Approximately two-thirds of all bonds are bonds of governments of different countries, although the share of such bonds in different currencies varies considerably (Shvidanenko and oth., 1998).

Most of the bonds in the international market are issued with fixed interest rates, but there are also bonds with floating (variable) rates nominated, usually in US dollars. Corporations from different countries also issue convertible bonds. Acquiring such bonds can be preferred in the following situations:

- a drop in market interest rates on the investment market, which leads to an increase in the bonds (as well as on the market of European bonds);
- increase in the stock price of Japanese companies (in this case, bonds can be converted into shares) (Ахметова, 2019).

The growth of the Japanese yen against the euro (bonds can be converted into assets (shares) in Japanese yen).

In addition, bonds can be issued in the same currency (for example, in Japanese yen) with a coupon interest that can be paid in the same currency and repayable in another (for example, in US dollars). The use of such bimonthly bonds can bring an investor additional income at the expense of favorable exchange rate changes.

Borrowers in the bond market are central governments of countries, government organizations, regional and local authorities, industrial and financial corporations. It should be noted that high-risk borrowers (for example, some Latin American countries) are not directly allowed to enter the international interbank market. However, such countries can obtain loans from this market through inter-state organizations (World Bank, International Bank for Reconstruction and Development, regional development banks). These supranational organizations borrow on the international Eurobond market and part of these loans are on their own behalf high-risk countries.

Bond is a debt security that defines the debt relationship between the holder (holder, holder) of the bonds and the issuer and confirms the issuer's obligation to return the bonds owner to its nominal value within the stipulated term, as well as to pay a specified interest (remuneration). Relationships between these persons are treated as a loan. Valuable paper is a bond if it certifies:

- a) the right to receive a nominal value or other property equivalent in a fixed period;
- b) the right to receive a fixed interest from the nominal value.

A share is a right to property, and a bond is a right to a loan. The shareholder takes part in the management (not ordinary shares are meant, but the owner of the bonds does not take part in the management). Bonds are attractive to a prudent investor, especially when he is not rich enough to risk.

A bond issued in a documentary form, if it is not a discount, is accompanied by a coupon, which gives the holder the right to receive income. Distinguish the nominal, redemption and exchange rate (market) value of the bond. The purchase of bonds may be made by citizens and legal entities at the expense of both their own and borrowed funds.

Bonds even more, in comparison with stocks, differ in a variety of types and modifications.

For example, if a bond is a target, then the goods or services for which it is issued are necessarily indicated. A bonds bond with a subscription gives the holder the right to receive it

bonds of one or another issuer during their new issues, and if the owner does not want this acquisition, then he is entitled to sell the bonds in the market as independent securities. Bonds with the right early repayment give the issuer the right to use it at will.

The most popular types of bonds are:

- a) bonds of external and internal government loans;
- b) local loan bonds;
- c) bonds of enterprises;
- d) foreign bonds (for example, bonds of the International Bank for Reconstruction and Development, International Monetary Fund).

Government bonds, as a rule, are highly reliable, especially if the state has large financial assets. One type of government bonds is treasury bonds. The government decides to issue long-term and medium-term Treasury bonds, and the Ministry of Finance issues short-term issues. Decisions on the issue of local loans are taken by local governments. An enterprise in

most cases has the right to issue bonds for an amount not exceeding 30% of the size of its authorized capital.

Bonds are issued for different terms and conditionally divided into short-term (up to 3 years), medium-term (from 3 to 7 years) and long-term (from 7 to 30 years). For example, Treasury bonds are issued for a term up to 1 year, from 1 st to 5 th years or from 5 to 10 years. There are also fixed-term bonds, the issue of which does not specify the maturity. Bonds may not be printed in separate documents, but displayed in debt books (cash bonds). By registered (registered) bonds, payments are made directly by their owner. Coupon bonds are added to the bearer bonds to receive payments for each payment date.

Some bonds have free circulation, others are limited. Buying the last is an investor accepts an obligation to remain their owner for a certain time. Restricted prices or range of traders. But there are also bonds that are not subject to circulation: they can neither be sold nor exchanged, nor used as collateral.

About the mortgage should be told in more detail. The bond is secured if the issuer guarantees fulfillment of its obligations both on the return of the principal amount of the debt and the payment of interest thereon. Different types of collateral are used: property, stock values, income from future projects, future tax revenues, etc. Bonds with mortgages property are divided into pre-install and general foreclosures. The first creates a debt, which the issuer pays first, and the second - the income, which is paid after settlements with the holders of the first bonded bonds. If the bond is issued on the mortgage of real estate, then it is called mortgage. Bonds with pledges of financial assets are provided by securities of other companies that are owned by the issuer, including its affiliates or subsidiaries.

If performance of obligations on bonds is provided not by the issuer itself but by another a legal entity, then such a bond is called guaranteed. The rating of bonds of this type is determined by the financial value of the guarantor company. The subject of guarantees may be part of the payment: either only interest or only the amount of the loan.

The issuer is responsible to investors for so-called reorganization bonds only on the capital amount of the loan. With regard to interest payments, their size depends on the income of the issuer.

The reliability of the same issuer in different markets is usually quoted differently, therefore, some issuers issue so-called swap bonds, during which the conditions are issued payment of income and repayment are associated with the terms of exchange (swap agreement).

There are securities that are called bonds with a return, or with a pre-

term recall The issuer has the right to withdraw them before maturity and repurchase at a price slightly higher than nominal value. Having withdrawn them, the issuer may issue new bonds, but with a new rate and maturity.

A type of return bond is a bonded bond fund, that is, those that are redeemed by the issuer for funds that are deposited annually from profit to repay part or even of the whole debt. The benefit to the issuer is that part of the loan is paid ahead of time and therefore, on the date of repayment, the need for cash is not very large.

Practice knows bonds with dilation and bonds with narrowing. The first ones are issued for a certain period of time and allow the holder to exchange them at the moment of redemption for long-term obligations of the same merit. Reduced bonds (so-called "re-bonds") have a reverse effect: they are issued for a longer period, they can be redeemed much earlier. It is not difficult to see that bonds with an expansion are more suited to the issuer, and bonds with a narrowing - the investor.

Bonds may be convertible if they are conditional on the possibility of exchanging them for ordinary or preferred shares issued by this issuer.

Based on the repayment method, bonds are classified in serial numbers, which are redeemed successively, in batches at certain intervals, and ordinary, redeemed by the issuer at a fixed date

Series bonds can be redeemed either once or by groups and grades, as well as by redemption of bond batches on the stock exchange. For a country with high inflation it is expedient to issue indexed bonds, the maturity of which will change sooner or later.

Bonds are considered to be redeemed if investors have been paid interest on last period and at nominal value of bonds. Also issued are "perpetual" bonds that do not provide for repayment obligations of the issuer. When considering the issue of bond payments, you need to find out:

firstly, at what rate the payment is made, and secondly, in what form and and thirdly, when payment is made.

The rate of bonds can be not only firm (fixed), but also variable (floating). A fixed coupon rate is used for periodic payment of income in the form of interest (such bonds can be redeemed by the issuer ahead of time). A bond with a floating coupon rate, which depends on the market situation, is a security paper with a growing coupon rate, which serves as a stabilizing element in the context of inflation. Bonds with mini-coupon - a transitional form from a coupon to an uncapped bond, which has a relatively small interest rate on the coupon and a minimum discount (discount). There is no exception to the payment of income in a mixed form: part of the term (for example, the first two to three years), the interest on the

bond is paid at a fixed rate, the rest of the time - for floating.

Terms of interest payments are indicated in the bond issue conditions. For example, for Medium-term bonds for one to five years (so-called notes) interest is paid once every six months. A well-known bond is called profitable. According to it, the issuer undertakes to pay the amount of debt, and with respect to interest, then it is paid only when the issuer receives an income the size of which gives him the opportunity to make a payment.

The way of borrowing through interest-free (but not-for-profit) bonds, which are sold at a discount (against the face value), are repayable at a nominal price, thus creating the investor's income, is quite common. Such bonds belong to discounted securities.

Discount is the difference between the nominal value of the security and its market value (exchange rate) price;

For such a discount bond (it includes bonds with a zero coupon)

An investor receives income only when repurchasing bonds, once, but not annually, but he may not pay the tax on bonds' income (according to the relevant legislation). Consequently, discount bonds are risky, but attractive, because they involve receiving high income.

In the form of international debt obligations are euronotes, which have several forms: bank acceptances, commercial europapers, deposit certificates. Eurotats are gradually replacing traditional bank loans, since they have the benefits of greater liquidity for the lender, and also provide an opportunity to invest in non-bank investors.

Bonds issued by local governments sometimes called municipal They are attractive to all participants of the tour:

- issuers receive borrowed funds for local programs and projects, so they do not need to increase local taxes to ensure higher costs from the local budget or ask for subsidies from the center;
- investors also benefit from the acquisition of trusted securities that yield, albeit a small but stable income;
- the population of the region receives important objects for him in the areas of production, trade and services, while not subject to higher taxes.

The popularity of bonds is confirmed by such figures. If the world financial the wealth will be 100%, cash will be 14%, shares - 40%, and bonds - 46% (Matyushenko, 2005).

5.4 Features of trading bonds in various national markets and the market of Eurobonds. Bond stock markets indices

There are many differences in the organization of bond markets between different countries of the world, which must be taken into account when

developing an investment strategy. So, in European markets, stock trading in bonds is dominated by brokers. In the United States, the Overseas Bond Market is developed through specialized financial institutions, although some of their types, especially foreign bonds, are denominated in US dollars, are quoted on the New York Stock Exchange. In the U.S. OTC bonds are quoted with a spread, that is, the price of the bid (bid) and the sale price (offer) is indicated. OTC non-government bonds are also available in some European countries (Switzerland, UK, Germany, the Netherlands). In Japan, bonds are sold and purchased at both the OTC and the stock markets. In Russia, government bonds are traded on the exchanges, as well as in the over-the-counter market. When trading bonds on exchanges, sellers and buyers pay the same price with the payment of a commission broker.

Typically, the price of a bond is quoted separately from the interest coupon accrued from the last date of coupon payments on the trading date. In these cases, the buyer pays, the seller receives the market price of the bonds and accrued interest. Quotation of the bonds regardless of the coupon allows you to compare different bonds, both coupon and discount. However, note that floating rate bonds, convertible bonds, as well as some bonds with a constant rate are quoted at full market price including coupon income.

In the open market, bonds are quoted for 1/10 of its value. Yes, if the national price bonds is \$ 1000, then in quotation currencies it will be marked as 100. If the bond is sold with a premium, for example, for \$ 1100. USA, the price will be 110, if the same. It will be sold at a discount, for example, at \$ 890. USA, the price is indicated at 89. The price of the purchase / sale of bonds, as shares, is changed by 1/8 points. So, the price $89\frac{1}{4}$ ($892/8$) is the answer 892.5. The price of bonds is $1055/8$, is \$ 1056.25.

The price of government bonds is expressed in parts by 1/32 points. Thus, the price of a government bond, listed as 94-23 (94.23), can be recorded as $9423/32$, which corresponds to \$ 947,1875

USA. Such a form of writing is primarily characteristic of UK and US government bonds. While fractional bids for other country bonds are usually given in decimal form (for example, 95.3110 (\$ 953.11) or 101.8800 (\$ 1018.8).

Any international investor who intends to include bonds purchased in the international market in his portfolio should be able to interpret the data on the issue (prices) bonds Consider the following forms - for bonds with a constant rate and variable rate (tabl 5.3).

Table 5.3. Issue of fixed rate bonds

	Issued	Bid	Offer	Change	Yield
U.S.Dollar Straights Belgium 5	1000	93¼	94	- 1/8	6,67
\$ 03	1000	1051/8	105 3/8	- ¼	6,84
Siemens 7 ¼ 02					

From the data given in Table. 4, it is evident that an international investor can buy.

Belgian dollar denominated fixed-rate Belgian bonds with a coupon interest rate of 51.2% per annum and maturity in 2003 and / or bonds of the German company Siemens denominated in US dollars at a coupon rate of 7¼% per cent and maturity in 2002. Each of these types of bonds was issued with a total par value of \$ 1,000 million (Issued).

Belgian bonds were bought at a rate of 93¼% of the par value (that is, at a price of 932.5 USD per bond) and sold at a rate of 94% of the par value (\$ 940). The change in the average price of the Belgian bonds per day (Change) was 1/8% of the par value (\$ 1.25), and their yield to maturity (Yield), based on the BID price, was 6.67% per annum.

Euromarket (Eurobond market).

Of all bond markets, the Eurobond market is the most attractive, because it does not national legal requirements and restrictions are circulated. Eurobonds are not taxed, and therefore interest rates on them are slightly lower than on other bonds.

Issue and initial placement of Eurobonds is a complex and multi-faceted process. The issue is carried out by an international bank, which is called lead manager (lead manager), as well. There are also several co-menegers who form the management group responsible for the issue, the definition of the main characteristics of Eurobonds, and the creation of a sales group.

Most of the issue Eurobonds is immediately signed (purchased) by the management team.

The sales team consists of managers, underwriters and additional banks with good the basis for selling (distributing) Eurobonds.

The Eurobond market has no physical placement, but the bulk of the bonds that are on it is rotated, quoted on the Luxembourg Stock Exchange, because there are requirements for public quotes at least quarterly or yearly. However, there are very few Eurobond deals on the stock exchange. The secondary Eurobond market is represented by an informal network of market makers and dealers that are part of the Association of International Bond Dealers - a fully autonomous organization and not subject to any government influence.

Standard bonds with a fixed coupon rate, or direct Eurobonds (Euro Straights) do not have security, so they are issued by high-end institutions.

There are also issues of Eurobonds, interest on which is paid in one currency, and the basic payment is made in another. These are so-called two-year issues. Euro market is also represented by convertible Eurobonds, which can be transferred to another financial asset, as well as bonds with an attached warrant. VARANT gives the right to the owner of such a bond to carry out another financial transaction with the issuer. The vaant may be separated from the bond, that is, the owner may not sell it, but sell it.

Market Bond Indexes (Bonds Indexes).

Bond indexes are much less available and widespread than stock market indices, as there is a close correlation between the change in interest rates on the money market and bond prices. However, for comparison of different markets by their segments (types of bonds) and currencies, the indices of the total yield of bonds are calculated and published, which also includes the accumulated interest.

To assess the current state of the bond market, the indices are calculated daily. For Assessing the quality of an existing bond portfolio to an international investor is enough to know the indices calculated on a monthly or quarterly basis. To calculate daily indices, a small sample of bonds that are most actively traded on the market is used. For the calculation of monthly indices an approach is used, according to which all bonds of this market are considered. Bond indexes are calculated on national markets weekly, monthly, and daily on a daily basis.

However, it is difficult for international investors to rely on indexes calculated by different institutions, since for obtaining and comparing them it is necessary to review a large number of sources, which access is often difficult. To simplify international investment activity on the bond market, several organizations publish unified indexes for both national and international markets that are calculated on a hypothetical portfolio, which includes a certain number of bonds denominated in one or another currency (Matyushenko and oth., 2013; Law of Ukraine, 2013).

Part 6. REGULATION OF INTERNATIONAL INVESTMENT ACTIVITY

6.1 The main modes of investment policy of the state

There are several investment regimes, which are used in the state and Interstate practice in regulating capital flows:

1. Most-favored-nation treatment;
2. National regime;
3. Fair and equal treatment;
4. Transparency regime.

1. The basis of investment treaties is the most-favored-nation standard (RNS). Its essence lies in the fact that the host country creates for investors of one country the same favorable conditions as for investors of any other country. The RNS guarantees investors protection against any form of discrimination on the part of the host country and thus is crucial for creating a level playing field between investors from different countries.

The RNC allows the host country to maneuver with respect to the content of future investment treaties as it gives more freedom in the sense that the host country can extend unilaterally additional rights granted to third countries in future transactions. The globalization of investment activity makes it difficult to determine the nationality of corporations and the relevant legislative framework for differentiating the spheres of influence between companies. This creates difficulties in determining nationality, while national companies benefit from the action of the MFN.

In practice, the RNS uses a broader interpretation than the minimum required standard within the framework of international law. It fixes only the equal relationship between foreign investors and national entrepreneurs in the receiving state.

At the same time there are exceptions to the MNS. They differ as:

- exceptions to the general plan (for example, regarding national security);
- exceptions based on reciprocal arrangements (for example, taxation, intellectual property rights protection);
- special exceptions based on unilateral basis.

As an example of exceptions to the RNC, one can draw the PRC practice, according to which law.

Exception is any agreement on the formation of a customs union, a free trade zone, an economic union or an agreement on the prevention of double taxation, as well as the promotion of border trade.

In Mexico, exceptions to the RNC are applied to all bilateral and

regional authorities

Multilateral Agreements signed by the country prior to the entry into force of the North American Free Trade Agreement (NAFTA), and related to aviation, fisheries, maritime navigation, telecommunications, production, sale and licensing of radio and television programs.

2. The national regime is the most important regime, since it determines the attitude of the host country towards the activities of foreign investors. At the same time, it is the most complicated standard regime in terms of achievement, since it concerns "sensitive" economic and political issues. In fact, no country has previously granted national treatment without restrictions, especially when it comes to the operation of investments.

National regime - a mode in which the host country creates for foreign investors at least the same favorable regime, as well as for national entrepreneurs. The national regime violates the most important issues of development in the field of FDI. It defines the formal equality between foreign and national investors. However, national investors (operating in underdeveloped branches or emerging industries or managing economically inefficient in comparison with foreign investors) can be economically unequal positions compared to more competitive TNCs. Such economic asymmetry may require some flexibility in relation to national entrepreneurs, especially from developing countries, for example, on the basis of exceptions to the national regime.

3. Over the past years, the concept of fair and equitable treatment in investment treaties between countries has spread. In the first postwar years, this regime has been recorded in many multilateral projects (for example, the draft International Trade Organization, which was never formed in 1947 because of the US position), in the last two decades - in bilateral investment agreements.

Fair and equal treatment offers a criterion for assessing the relationship between a foreign investor and a host government. This mode serves as a signal from the latter, because it means that the desire of the states to accept foreign capital on terms that take into account the interests of the investor must be fair and equal. As many capital-importing countries have concluded many agreements that include this regime, the desire to apply it may raise the issue of the host state's attitude to foreign investors.

All countries aspire to treat national and foreign entrepreneurs equally and rightly. Therefore, the inclusion of the conditions of the regime in the investment agreements does not cause any problems. An exception is the clear definition of a fair and equitable treatment that can vary in different contexts.

4. The principle of transparency, which has spread in world practice relatively recently, requires timely informing investors about changes in the investment regimes of the host countries, including through publication and / or other means of communicating information about investment regimes, on the current legislation and making changes or additions to it, etc., as well as conducting briefings devoted to the topic of current investment policy, possible in the future steps of the government in this direction, explanation of the specifics of administrative procedures and practices of registration, licensing, etc (www.worldbank.org).

6.2 System of state guarantees to foreign investors

The receiving State guarantees a foreign investor the protection of his rights and interests that is declared in national constitutions, laws on foreign investments and many other legislative and normative documents.

The following forms of state guarantees can be distinguished:

1. Providing non-discriminatory (as a rule, national) regime to foreign investors;

2. Protection against possible expropriation or nationalization, other forms of loss of foreign ownership;

3. As a rule, unimpeded transfer of profits and other types of income abroad;

4. Introduction of the "grandfather's warning" to protect the investor in the adoption of future legislative acts that impair his position (for this, during the time period regulated by the law, the former normative acts that were in force at the time of investment) are in force;

5. Determination of the procedure for resolving investment disputes.

In a study conducted by the IMF in 49 countries, the following forms of government have been identified guarantees to foreign investors:

1. Guarantees of the rights of shareholders:

- permission to send a ballot by post;
- the absence of a requirement for the deposit of shares before the general meeting of shareholders (is no blocking of shares);

- the permission to hold a joint vote for the majority and for a minority of shareholders on the basis of a proportional representation of the minority in the board of directors;

- the functioning of the subordination of the minority to the majority;
- determination of the minimum percentage of shares, which allows the owner to require the convening of extraordinary shareholders meetings, at a level not more than 10% (average);

- whether all shareholders have a preferential right to convene such meetings;

2. Guarantees of the protection of the rights of creditors:

- restrictions on the reorganization of the firm, which can be carried out only with the consent of the creditors;

- the establishment of a minimum amount of dividend payment only with the consent of creditors;

- lenders with mortgages or mortgages may require protection of their interests after approval of company reorganization plans;

- the lenders with security have a priority right in distributing funds received after the bankruptcy of the firm; if the resolution of the meeting on the reorganization of the company is in the process of consideration, the debtor has the right not to return the administration of its property;

3. Measures to ensure the implementation of guarantees to protect investors' rights depend on the level of corruption in the receiving country, the effectiveness of the legal and judicial system, etc.

Sources of legal protection of investors differ in different countries depending on the current one system of law.

In countries with a common system of law (United Kingdom, US, Canada, Australia, New Zealand, many African countries, South-East Asia) investment rights are protected most severely. In France, Spain and their former colonies, which are part of the French system of civil law, - the least strict. The intermediate position is divided into two groups: the system of German civil law (Germany, the countries belonging to the Romano-Germanic language groups of some East Asian countries) and the system of Scandinavian civil law. There are differences between these legal systems. In particular, the German group is more rigorous protection of the interests of creditors and softer - shareholders.

In general, investors' rights are guaranteed in all countries, which is an important element investment climate. But the degree of protection may vary slightly depending on the current system of law (Kozachenko and oth., 2004).

6.3 Means of state regulation of foreign investments

Historically, many countries in the world have used various restrictions on foreign investment, primarily direct.

Reasons to enter restrictions:

1. Fears of countries regarding the establishment of too high overseas control over the national economy;

2. Fears of loss of part of the national treasure;

3. The desire to promote the participation of local people in the management of companies, contribute to the growth of its employment;

4. The desire to control the flow of technology and managerial experience in terms of their careful selection, taking into account quality.

Means of state regulation of inflow of foreign investments are divided into two groups:

- direct, or formal, means;
- hidden, or informal, means.

Direct or formal ones include funds regulating the inflow of foreign investment on the basis of legislative norms and rules.

They are obvious and affect the flow of investment. These include:

- the procedure for registration and activities of companies with foreign investments;

- legislative or other restrictions on the share of foreign ownership and control in certain branches;

- requirements related to trade aspects of investments, - establishment of a minimum export volume, the requirement of the maximum level of prices for sales of products in the domestic market, etc.,

- requirements regarding the conditions of production of companies - the share of local component in the cost of finished products, the establishment of a minimum volume of internally branded research, the minimum amount of local labor.

In turn, direct restrictions are divided into absolute and relative. The differences between them are based on the fact that absolute restrictions create barriers to foreign investment and companies owned or controlled by foreign investors.

Absolute restrictions include determining the maximum share of foreign ownership or control over the company's activities (ie, interest restrictions on the share in the authorized capital) or in certain branches (interest restrictions on the share in the volume of assets in one or another branch).

Examples of relative constraints: requirements for hiring local labor, conducting internal firm investigations in the host country, transferring the parent company's trademark, etc.

Absolute restrictions on foreign ownership and / or end-effect control equivalent to import quotas. Relative constraints are similar to tariffs, as they negatively affect the inflow of investments due to increased costs in the registration and / or operation of foreign affiliates in the host country.

As already noted, the last two decades are characterized by direct liberalization regulation of investments, first of all, in industrialized

countries. Industry restrictions have been reduced, but there are exceptions. An example is the American practice: in the 80's pp. An Exxon Florio amendment was adopted, which allows the government to ban admittance of foreign direct investment in certain sectors because of the threat of national security breach.

The asymmetry of the dynamics of investment between countries reflects the dissimilarity of economic structures, as well as ownership structures of firms and ties between different economic entities and to a lesser extent related to the requirements for revision of previously issued permits for foreign investment, industry investment constraints.

Conditions of admission of investment in industrialized countries have practically not changed, in spite of liberalization. The reason for this is that the liberalization of direct regulation of admittance to the FDI does not increase the transparency of legal regimes. Practically all countries have kept (albeit little use) the mechanism of the prohibition of admittance of FDI in certain industries in order to ensure national security. In addition, there are antitrust laws, industry restrictions.

Hidden or informal, state restrictions on foreign investment inflow (second group) are barriers related to the specifics of administrative procedures, the rigid institutional structure of host countries, and the activities of political and socio-cultural organizations. That is, they do not directly limit the inflow of investments and do not apply to discriminatory considerations against foreign investors. But they can not be ignored. Moreover, currently concealed restrictions are given priority, given their significant impact on the activities of foreign companies.

You can consider the means of state regulation of the admission of investment from the point of view chronology of capital investment. According to this classification, all means are divided into four groups (SUMDU, 2019; Symons, 2019):

Group 1: Regulatory measures at the admission stage - permission and licensing for all firms. In this group of administrative barriers is the main difficulty for foreign investors is connected with the delay of obtaining the corresponding permits, and, therefore, also with additional expenses due to excessive control by the state during the selection and approval of projects, a detailed study of their characteristics, as well as lack of transparency

Information A simple, but a significant source of delay in issuing permission to invest in foreign ones of capital is the compliance of the investment project with the various requirements put forward by government agencies: the trade register, company register, tax authorities, statistical bodies. As a rule, the lack of information from a foreign investor

on the specifics of such requirements is a serious informal barrier; Another limitation is the lack of coordination between the local and central authorities of the host country when issuing permits and conducting tax procedures;

Group 2: Regulatory measures at the stage of investing - Specific or sectoral permissions required by firms in selected industries. The government of the host country may require additional

Estimates of the investment project for individual industries: tourism, mining, fisheries, infrastructure, agriculture. The terms of the procedure may be not transparent, especially in tourism and infrastructure. In some countries, the administration appoints a management structure, and often sets qualification requirements for managers contrary to state policy, defined by the general legislation of the country. In some countries, there may be a requirement for special approvals to provide tax breaks for priority foreign investments (for example, agriculture);

Group 3: selection of projects with foreign investments and possibility of use land resources for business activities. In these cases, the additional expenses of a foreign investor are connected with the purchase or lease of land, construction works. Thus, a country may be required to provide three documents from various inspections for legal completion of construction, it may take several months for them to be received, limiting the capacity of the national system of services. Or a possible requirement to provide a guarantee of long-term lease of land with the payment of the corresponding amount of money;

Group 4: At the stage of activity - licensing and other requirements necessary for the operation of the firm. In carrying out business activities of the company, there is a need to establish relations with government bodies. This is the presence of standard rules and control in foreign trade, currency regulation, labor protection and social security. The role of monitoring should be increased for their adaptation.

Import licenses are required in some countries, even if the government abolished them in the framework of the overall foreign trade reform.

Each administrative procedure taken separately is not a significant obstacle for

Investments of capital, but taken together, they can hold investment investments for up to two years (this period is determined by experts of UNCTAD). For example, it is estimated that a private investor should prepare 23 folders of relevant documents and apply to 31 state bodies. At the same time, at least six of them have numerous formalities.

Government efforts to reduce or eliminate these informal barriers can be

challenging, as they relate to a wide range of political, administrative and institutional issues and issues. However, if investment procedures are planned, it is easier to identify areas of repeated, comprehensive and thorough analysis and selection or ineffective implementation of a project. Of course, the recommendations focus on areas in which administrative procedures can simply be eliminated or made easier. Where control rules or informal requirements persist, recommendations often emphasize improvements in project implementation, leading to a change in government activities and increased distrust of the services it provides.

Consider the most common means of state control over the tolerance and activity of foreign investments that are most common:

In practice, state regulation of foreign investment comes from a combination of two fixed assets - registration and licensing. All foreign investments are subject to mandatory registration in the authorized state body, and in some cases also licensed. In fact, there is a direct interconnection between registration and licensing. One can note another interesting trend. Investment barriers are usually concentrated in individual industries: in automotive, chemical, petrochemical industries, in the production of computers (BSU, 2019).

1. Registration is an automatic licensing, and it can be canceled. Taking decision on issuing a license or registration of foreign investments, the state body proceeds from the relevant criteria, in particular the assessment of the potential impact of foreign capital on the national economy as a whole and on the development of a particular industry, on the implementation of foreign and foreign economic policies of the receiving state, etc.

2. Licensing - was the main form of state control over the admission of investments to the beginning - the mid 80's pp. It is currently used in a limited series

branches included in the negative list. As a rule, these are the strategic and "sensitive" sectors of the economy of the host country.

In the broad sense, licensing is needed in investment investments that are detrimental to national security, public order, the health of the population, as well as

Investments in the industry included in the list of exceptions identified within the Organization for Economic Co-operation and Development (OECD): agriculture, forestry, fish industry, mining industry, petroleum industry, leather industry. IN (Ramirez, 2019).

In the narrow sense, the prior license obtainment is necessary for investments in the industry that are regulated by specific legislation: broadcasting, maritime and aviation transport, banking and insurance,

telecommunications, oil refining.

Consequently, licensing is used very limited - taking into account the nature of the industry or (much less) the amount of investment

3. Percentage share of a foreign investor is another frequently used state control tool, which is used mainly in separate branches of the host economy.

4. Prohibition on the use of FDI is used very rarely. It is limited like as a rule, the sectors of military-industrial complex, gas and water supply and some other strategic directions. In the United States, some states prohibit foreign legal entities and individuals from acquiring property in real estate.

5. Procedural constraints may be different and related, for example, to the procedure for registering a company in a local register, the need to provide relevant documents, determine the cost of registration, etc.

6. Restrictions on the return of capital and the transfer of profits abroad are used quite rarely and, as a rule, the definition of the minimum period of investment investments, after which the permission to transfer profits and capital from the host country is granted.

7. Restrictions related to the employment of foreign labor in general may relate to the procedure for entry into the country and the receipt of work permits for foreign personnel, as well as the establishment of a minimum wage, the requirements for the minimum level of training or employment of local labor .

8. The requirement to sell part of the shares owned by a foreign investor, domestic legal entities and individuals. This practice, although rare, is observed in some countries in Southeast Asia. So, in the Philippines, a foreign firm must accept Philippine investment, and after 30 years of transferring 60% of the authorized capital to Philippine legal and natural persons. But this requirement does not apply if the firm fully (100%) exports the manufactured products.

9. Requirement to use a local component. This requirement applies to developing countries for 5 years, and the least developed countries for 7 years can use this barrier. Requirements for the use of components are important in automotive, chemical and petrochemical industries.

10. Control over export of products from the host country, produced at enterprises with foreign investments. The requirement for compulsory exports is most often in the production of computers in the chemical and petrochemical industries (Grinev, 2009).

6.4 Main directions and means of realization of the policy of stimulation of attraction of foreign investments

The main purpose of the incentive policy is to influence the direction,

volume and nature of investment flows. At the core of the stimulation of attracting foreign capital lies the privatization programs, implemented earlier and are being implemented now in different groups of countries. Between privatization and inflow of FDI There is a relationship:

- privatization may be used by a foreign investor as a means of expanding sales markets, while state ownership retains a monopoly right to sell to public companies;
- for a foreign investor and for a national entrepreneur, privatization is one of macroeconomic factors that form the basis of a favorable investment climate.

The main direction of stimulating the inflow of FDI is the provision of various benefits. The national regime provides that foreign and national investors have equal rights to receive

incentives At the same time, privileges are granted to entrepreneurs subject to the following conditions:

- promoting employment growth;
- promotion of small and medium-sized enterprises;
- R & D in the host country;
- promotion of regional policy;
- facilitating expansion of exports.

Since the mid-1990s, there have been some changes in the host policy of the host countries regarding the attraction of FDI. In this connection, three areas of implementation of this policy can be distinguished:

1) improving the image of the host country is realized through the dissemination of advertising the materials characterizing this country, its potential for attracting FDI. For this purpose, mass media, special editions, discussions, special meetings, etc. are held, with the purpose of informing about the conditions of investment;

2) providing the state with an integrated package of services for possible foreign investors in support of their investment activity. It's advisory services, facilitating passage through various bureaucratic stages of registration and tax control, obtaining permits, etc;

3) providing financial, fiscal and other services to foreign and national entrepreneurs privileges. Financial incentives are more oriented towards developed countries. Financial subsidies are granted at the level of regions, cities or districts in order to stimulate the regional development of certain sectors of the economy of the host country.

In developed countries, tax breaks are also widely used, in particular accelerated depreciation, reduced corporate tax rates. In developing

countries, the practice of lowering tax rates, tax returns, tax holidays, and sometimes extending from 1 to 5, sometimes 10-25 years, are often used. Another form of incentive is the reduced rates of duty, provided for a period of 5-10, and for some projects - 15-23 years.

Thus, in practice, the stimulation of foreign investment by industrialized countries is dominated by financial means, and in practice in developing countries and countries with economies in transition, fiscal or tax incentives. Frequent use of preferential duty on imported production equipment (which in industrialized countries is an ineffective measure due to low tariff rates for most types of industrial equipment - a few percent), reduction of corporate tax rates on income, tax holidays. In countries with economies in transition, the following incentive methods are applied: lowering the standard level of corporate income tax rates, providing tax holidays, preferential duty rates for raw materials or equipment. In some countries, a system of so-called tax stabilization is used, which guarantees the continuity of tax rates within the set time. Such a system operates in view of the financial and legal instability of one or another host state.

In general, benefits (mainly tax) are individual in nature. Their application depends on the nature or industry of the export specialization of the enterprise. In sectoral priority is given to the most knowledge-intensive and techno-intensive industries. The UNCTAD secretariat has developed a classification of incentives for foreign investment, which includes three groups of incentives:

- fiscal benefits;
- financial privileges;
- other benefits.

Fiscal incentives are divided into the following types:

- 1) reduction of the corporate profit tax rate;
- 2) tax holidays - tax deduction for several years from the date of receipt of the first declared profit. the terms and conditions for tax holidays are different in different countries. As a rule, they are provided for a period of 2 to 10 years (Revisor, 2017);
- 3) increase in the amount of depreciation (accelerated depreciation is an operation in the result of which part of the profit falls into production costs and is exempt from taxation);
- 4) a permit for further deduction of losses received during the first period of work, in the account of future profits;
- 5) investment and reinvestment discounts;
- 6) reduction of contributions to social funds;
- 7) reducing the amount of taxable profits depending on the number of

employees and other labor costs;

8) incentives related to the reduction of the VAT rate, including reduction of tax on corporation profits or loans due to an increase in the share of local raw materials or semi-finished products;

9) reduction of export duty;

10) preferential taxation of export earnings;

11) reduction of tax rates for special proceeds of foreign currency, including for export of manufactured goods;

12) tax credits for domestic sales in exchange for export receipts;

13) tax credits in connection with the use of local raw materials in production goods intended for export;

14) reduction of taxation of export-oriented production.

A group of financial incentives includes:

1) direct subsidies to cover part of capital costs, production or marketing costs of a particular investment project;

2) subsidized loans;

3) guarantees on loans granted;

4) guaranteed export credits;

5) participation of the state capital in investments in projects with high commercial risk;

6) government insurance of preferential loans granted for certain types of risk. For example, when changing the exchange rate or devaluation of non-commercial risks - expropriation, changing the political system of the country, etc.

The third group of incentives - other benefits - is divided into:

1) subsidization of expenses for creation or reconstruction of investment infrastructure project;

2) subsidizing services, including assistance in the search for a source of financing, in development projects, providing information on market conditions, availability of raw materials, assistance in training personnel, providing technical opportunities for developing know-how or improving quality control;

3) conclusion of preferential state contracts;

4) closing the market for the arrival of other manufacturers or granting monopoly rights to production of certain goods;

5) protection against import competition;

6) special programs for providing foreign currency (incl. Special exchange rates), guaranteeing the risk in obtaining foreign loans, concessions in foreign currency loans and special benefits for the repatriation of income and capital (Sheludko, 2006).

6.5 SEZ as one of the means of stimulating the attraction of foreign investment

Free economic zones (SEZs) - zones with special legal and economic status, which creates favorable conditions for attraction of foreign investments on the basis of granting of some privileges.

In other words, the zone-franco is part of the territory of the country in which goods are treated as objects that are outside the national customs territory and therefore can not be normal customs control and taxation.

Distinguish the following classification SEZ according to the following criteria:

Depending on the type of economic activity, five zones of zones are distinguished:

- free Trade Area - Areas that are outside the boundaries of the National Customs Territory, where warehousing and adaptation of goods imported from other countries to market conditions (operations such as packaging, marking, quality control, etc.) are carried out. . such zones require small financial investments at the initial stage of creation and differfast payback. You can find such varieties of free trade zones as free customs zones, free ports and transit zones;

- industrial-production zones with a special customs regime, in which industrial companies produce export or import substitution, using a system of incentives. Bones may include import and import substituting zones, export-import-substituting zones, export zones;

- techno-introduction - zones in which there are national and foreign research, design and scientific-production companies that use the existing system of privileges. Varieties: scientific and industrial zones, technopolises;

- service - territories with preferential treatment for entrepreneurial activities of firms and institutions that provide various types of financial and non-financial services. These include recreational (or resort and tourist) zones, zones of banking and insurance services, offshore zones;

- complex - zones with a preferential regime of economic activity in the territory of a separate administrative district. This is a free enterprise zone in Western Europe, Canada, formed in depressed areas, special economic zones in China, territories with a special regime in Argentina, Brazil.

At the junction between these five groups are trade and production zones, scientific-industrial and innovation centers.

Depending on the way of organization and the area of the territory distinguish two groups of zones:

- territorial - zones with an isolated territory in which resident companies enjoy a preferential regime of economic activity;
- functional - zones of preferential treatment, which applies to a particular type of activity, regardless of the location of the firm.

Depending on the degree of integration into the national economy, there are also two groups on:

- integrated into the national economy. These zones are aimed at developing links with branches of the national economy located outside the zone, as well as aimed at solving the problems of export production, improving the technological level of production, improving the quality of products, satisfying domestic needs;

- enclave (export-oriented) zones, the production of which is focused on the export and replenishment of foreign exchange earnings.

One can distinguish the following characteristics of the SEZ:

- 1) a separate control system with the right of independent acceptance decisions;

- 2) support of the central government;

- 3) provision of basic and special privileges.

Due to the application of privileges, the profit margin in the FEZ is 30-35%, and in Asian countries - 40% per year. Also, 2-3 times the payback periods of Investments are reduced. The normal phenomenon for VEZ is the maximum payback period of 3-3.5 years.

Each SEZ has special privileges in terms of infrastructure, banking services, and small ones medium-sized business. But the basic benefits are the same for all types of zones:

- foreign trade privileges - duty-free import and export of goods to the territory of the SEZ;

- tax breaks - tax holidays for a term of 5-20 years, full or partial exemption from taxes on reinvested profits for up to 5 years, tax deductions for profit. Foreign investors are exempt from taxes on property, tax on turnover;

- financial privileges - investment grants to new depositors of the capital, preferential

- government loans, reduced rates for utility bills, rent for the use of industrial premises, land, etc;

- administrative privileges - simplified registration of companies, simplified procedure of the regime of entry-exit of foreign citizens, etc.

In general, the availability of only some benefits is not sufficient incentive to raise capital. Other factors that make up the concept of the

investment climate are political and economic stability, level of infrastructure development, cost and skills of the workforce.

Of great importance when deciding on investment investment is quality infrastructure of a particular zone. The construction of infrastructure facilities that meet the world level requires huge financial infusions. On average, for the normal arrangement of the territory of a free customs area of 1 square. km requires 10-15million. dollars The US, and for the export-production zone - 40-45 million dollars. USA.

SEZs are called to perform the following functions:

- serve as a means of expanding the inflow of foreign capital;
- serve as a means of strengthening the export potential of the national economy and strengthening its integration into the world economy;
- create a center for economic growth or economic development based on a targeted concentration of investments in certain industries and the use of technological, industrial, socio-economic and other innovations.

In a weighted state policy, the SEZ can play a significant role in the economic

the development of one or another region and the country as a whole, their positive impact can be determined on the basis of the following criteria:

- promoting more efficient use of local natural resources;
- obtaining new technology;
- development of production within the zone;
- structural adjustment of the region's economy;
- increase of employment of local population;
- Improvement of the welfare of the local population, higher income, more satisfaction

- internal needs in high-quality goods;
- new opportunities for raising the level of skills of the employed;
- increasing access to new sources of funding.
- At the same time, the FEZ may negatively affect some indicators of the national economy due to the relatively high share of the imported component:

- Frequently newly created VEZ cost is lower than the national average;
- less actual currency earnings from exports to the FEZ (excluding the cost of imported components);
- there is a capital outflow from other regions of the host country to the territory of the SEZ (www.bank.gov.ua, www.ukrstat.gov.ua).

Part 7. ACCOUNTING OF INVESTMENT OPERATIONS MARKET

7.1 Stock market indices. General concepts and calculation technique

The stock market index is called a certain number that characterizes its qualitative state and is a rough estimate of the stock market dynamics. In itself, the value of this number does not carry valuable information. Important is not the very meaning of this number, but its relation to the values that it took earlier.

To calculate market indices, two approaches are usually used:

1 Selected representative group of shares (usually shares of the largest companies) and with taking into account the market prices of these shares on the day of calculation and the number of shares issued, the index value is calculated:

$$I = C(A_1X_1 + A_2X_2 + \dots + A_nX_n) \quad (7.1)$$

where C is the coefficient (or, as it is called in the literature, the leader), which serves to correct the index in the event of a change in the number of companies included in the calculation of indices, in the event of a company being replaced, the holding of a split stock; n- the number of companies entering into the calculation of the index; A and X - respectively, the number and price of shares of companies that are included in the index base (Ahmadova, 2017; NARXOZ 2015).

2. A representative group of shares is selected and the price of these shares is determined at the moment

time As a result, they have some average indicator:

$$Ind = C(X_1 + X_2 + \dots + X_n) \quad (7.2)$$

Symbols IND are identical to that in the previous case.

This is how the Dow Jones Industrial Index is calculated. Correctly, the resulting value is called an index, not an index, or an average an indicator.

Dow Jones Industrial Average (DJIA) - This is the name under which this index is mentioned

American financial editions.

In addition to this indicator, the S & P 500 is also very popular in the USA (Standart & Poor's 500 Composite Stock Price Index), index NASDAQ (National Association of Securities Dealers Automated Qnatalion Index) and some others.

In Japan, the main index with the Nikkei index (Nikkei 225 index is reduced by the combination of nihon keizai, (nihon - in japanese - japan, keizai, finance, economics), to the estimated base of which includes 225 leading Japanese companies traded on The Japanese Stock Exchange and published since 1950. The Nikkei is calculated as the sum of stock prices without taking into account their number according to the same pattern as the DJIA. Nikkei 300 (Nikkei ZON Index) combines 300 major Japanese companies and is calculated on the basis of the number of shares issued by each In addition to these two indices in Japan Thai is a popular Thoric index (calculated from 1968 for all stocks traded on the first section of the Tokyo Stock Exchange) and JPN.

The FTSE-100 is calculated on the London Stock Exchange

(Financial Times Stock Exchange 100 - Share Index), commonly known as "Footsie" (foot 100). It is calculated on the basis of 100 largest market capitalization companies. Fossi components account for up to 70% of the stock market capitalization in Great Britain.

Also on the London Stock Exchange are indexes such as the FTSE 30 Share Index, which covers 30 industrial and trading companies, and the FTSE Mid 250 - is calculated on the basis of 250 companies coming after the first 100 that are included in the FTSE 100.

In Germany, the main index is DAX 30, which covers 30 of the most attractive stocks on Frankfurt Stock Exchange. The most popular here are also the Xetra indexes DAX, DAX 100 and CDAX.

In the Gon Kong (now Xianggang), the most famous Hang SengIndex index is calculated on the shares of 33 companies whose capitalization is about 70% of the total market capitalization, and so on.

But today, the economy is still the most powerful economy

The USA, and any noticeable change in macroeconomic indicators, this country, or good or bad news, instantly affect the leading global stock markets.

That is why we will look more closely at the main US stock indices (Peresada and oth., 2004).

7.2 Dow Jones Industrial Average (DJIA)

This most famous and comprehensive indicator was developed by Charles Dow, founder of Dow Jones Company and publisher of the newspaper The Wall Street Journal.

For the first time, the Dow Jones index was calculated in 1884 for shares of 11 railways companies. In the future, this index has changed, but only its transport companies were always included in its settlement base. This index

exists today, but since 1970 it is called the Dow Jones Transportation Average. To date, it is calculated on the shares of the 20 largest transport companies, US companies.

The Dow Jones Industrial Index (Dow Jones' average) was first calculated in 1896 by the shares of 12 industrial companies, and this index has evolved today in the well-known and popular Dow Jones Industrial Average. From 1928 to the present time, this indicator covers the 30 largest high-class industrial companies in the USA whose behavior is considered to be representative of the general dynamics of the securities market. Shares of these companies are called "blue chips" (blue chips). (This term came from the gaming business. Blue chips were considered to be the most valuable in games such as poker or roulette.)

From time to time, this list tightened the view. Those or other shares were omitted due to a merger of companies, loss of market activity or bankruptcy. In such cases, the calculation includes the shares of other companies, and therefore the entire indicator crows so that it can be compared with the previous indicator. To do this, use a special coefficient.

In addition to the average Dow Jones, which belongs to the most used stock market indices, three other average Dow Jones are published in financial publications:

1. The Dow Jones Transportation Average stock ticker indicator, which includes 20 transport companies in the calculation base.
2. The Dow Jones Utilities Average share price indicator, which includes 15 electricity utilities companies.
3. Dow Jones Composite Average.

In the time of the 65 listed companies (DJIA - 30, DJTA - 20, DJUA - 15).

All these averages, like DJIA, are calculated without taking into account the number of shares of individual companies, that is, the simple addition of share rates that are included in them, followed by the use of a correction factor. This adjustment factor is needed in order to avoid the Dow Jones index of jumps caused by the replacement of one company by another, stock split, or dividend payments by companies (Sazonets and oth., 2007).

7.3 Stock index S & P 500 (Standard and Poor's 500 Composite Stock Price Index)

This index was developed by a well-known publishing company of financial news corporation.

Standard and Poor's in the 20's of the last century and initially included only 90 companies (numbers 500 in the index name was not there yet), In

its present form, it was formed in 1957. Unlike Dow Jones's average stock indices, when calculating S & P 500, both the price of shares in the settlement base and the number of shares of each company that are in circulation are calculated, and the value correlated with the base value of the index (equal to 10) calculated for the period 1941-1943. In other words, if today the index is equal to, for example, 1200, then this means that the average share price included in the index basis is 120 times higher (1200: 10) compared with the period of 1941-1943.

Today, the S & P 500 reflects the dynamics of almost 70% of the capital invested in the US stock market.

Taking into account the fact that the index is calculated on the basis of the rates of shares of many leading companies, whose shares are traded on both the stock exchange and off-market securities markets, many professional, and especially institutional investors, prefer this particular index. They believe that the S & P 500 reflects more precisely the overall (Aiya, 2018).

Stock market dynamics than the average Dow Jones. The S & P 500 index is regularly reviewed. Once a month at the 44th floor of the Wal-Mart Street skyscraper in New York City in. (Garcia, 2019).

In a state of complete confidentiality, the Standard & Poor's committee, which consists of 7 people, is held.

The idea of the index has always been that it should reflect the American stock market, and through the American market the economy as a whole. Therefore, the committee members systematically withdraw from the index the slowly growing shares of the companies of the "old" economy, replacing them with "hot" shares more new sectors of the economy, such as the Internet sector, telecoms manufacturers, computer hardware and software manufacturers, semiconductor manufacturers materials, biotechnology sector, etc. If between 1990 and 1994 the Committee replaced only 10 companies, then since 1995, the rate of change in the index has increased significantly and only

In one 2000 year, 58 changes were made to the S & P 500 index base, which is the record for the entire, more than 75 years old, history of its existence (Strunina, 2004).

7.4 Consolidated NASDAQ stock index (National Association of Securities Dealers

Automated Quotation Index)

This is the youngest of the above indexes. It was developed in February 1971. The calculation method is identical to the S & P 500 calculation. For

a base of 100, it is accepted stock price on February 5, 1971.

The NASDAQ index reflects the circulation of securities on the over-the-counter market. Today to its calculation base includes more than 5,000 companies - mostly relatively small and growing. A very large percentage are the companies of the "new" economy: computer, telecommunication, biotech Internet companies, and others.

And if in the first 15 years of his existence he was little known, now no investor wishing to include the papers of large technology companies in his investment portfolio, can not ignore the index, which components of the share of leading technology companies such as: Microsoft Corp., Cisco Systems Inc., Inleal Corp., Oracle Corp.

Dell Computer Corp., Sun Microsystems Inc. etc.

In the late 1990s, the growth of these stocks stimulated a general rise in the stock market, while the losses they incurred since March 2000 have become one of the most important factors, causing NASDAQ to fall by 39.28% over the year by the end of 2000. That was the highest annual percentage drop in the index recorded during its existence (a record decline of 35.1% in 1974) and is not like the completion of the previous one of 1999, which provided a record-breaking growth index of 85%.

Other well-known and authoritative world indexes

New York Stock Exchange New York Stock Exchange. Published on July 14, 1966. Includes all companies whose shares are listed on this stock exchange. Unlike the previously considered indices, this indicator is measured in dollars. Calculated based on the value and number of issued shares. The basic value, equal to 50, is accepted the value of shares quoted on the New York Stock Exchange on December 31,

The consolidated index of the American stock exchange AMEX (American Stock Exchange Index).

Includes more than 800 companies and other securities circulating on this exchange in their settlement base. It is calculated taking into account the value of the shares, their number and, which is a feature of this index, when it is calculated, pay dividends on shares. Dividends are treated as reinvested amounts that will reflect the total return on equity in the index. The base value of the AMEX index 100 is set as of 31.08.73.

Russell 3000 (Russell 3000 index) includes 3,000 companies with the largest shareholding value (stock prices multiplied by their number). This index, developed by Frank Russell in 1984, reflects 98% of the total capital invested in the US stock market. The Russell-3000 index is broken down into two important indexes: Russell-1000 and Russell-2000. Russell

1000 includes the 1000 largest stakeholder companies, which account

for about 92% of the total capitalization of Russell-3000 companies. Russell 2000 covers the last 2,000 companies. Russell-2000 is also a very important index for investors. It is used to analyze the behavior of shares of relatively small companies. It includes the company's 11 most important industries, of which the most represented are technological, consumer, financial and medical.

Wilshire-5000 index (Wilshire-5000). It represents the aggregate value of the 5,000th issue of shares (in billion dollars) with the largest volume of sales on stock markets, including all stocks traded on the New York and American stock exchanges, as well as the most active stocks of over-the-counter trading.

In addition to the above main indexes, which include companies that represent all sectors of the US economy, there are many industry and sectoral indices that reflect the state of every sector of the country's economy.

The influence of a toto or another index on the market is measured by the degree of its popularity among investors. If, for example, the index followed by the majority of investors will start with the mouth, then it can lead to the buying up of shares of companies in this sector, even though another, but less popular, index of the same sector may show a downward trend.

Another mechanism by which the index can affect the market is a re-arrangement. As already noted above, the calculated base of indices (such as DJIA, S & P- 500, Russell-3000) changes from time to time. In this case, the exclusion of a stock from the list is likely to lead to a sharp drop in its price, because the index funds that accompany the given index, sell these shares in order to change their investment portfolios in accordance with the new composition of the index. And, conversely, stocks that are part of the settlement base are growing in price.

Today there are a large number of existing and newly emerging indices, sub-indices, averages, etc., their qualitative purpose does not change - all of them are intended to reflect the state of the market, for a better understanding of what has already been accomplished, and none of them has advantages in market forecasting . Therefore, the bulk of large and small investors in the US mainly use three indices: the average rates of Dow Jones, S & P 500 and NASDAQ (Sheludko, 2008).

7.5 Investment rating agencies and investment ratings

In the general sense, an investment rating is an instrument that enables an investor to quantify the degree of investment risk. Investment ratings are

assigned to literally everything related to the concept of investment. These are all kinds of valuable securities, issuers of foam papers; it may be state-owned banks, insurance companies, mutual funds and other financial institutions and their derivatives. The rating system is very useful for institutional and private investors. Small institutional investors take into account the ratings when they formulate their portfolio investments. Large institutional investors (large banks, insurance companies, etc.) with their own staff of analysts are also appealing to ratings of major rating agencies comparing them with their own research results.

Many companies and statistical agencies deal with rating assignments, the most famous of which are Moody's Investors Service, Standard & Poor's, Fitch Publishing Company, Duff & Phelps, Value Line Investment Survey. Of the listed companies, the first two companies are recognized worldwide and on this very day are the most authoritative rating agencies. To reflect the investment quality of the analyzed object (whether it is a security or an issuer that issued it), these agencies use letter symbols from A to D, in which the letter A corresponds to objects with a minimum investment risk, and the letter D corresponds to the maximum . Also used are digital modifiers (1 to 3) and signs "+" and "-".

Nota bene

Moody's Investors Service

The history of this agency dates back to 1900, when John Moody's circle (1868-1958) founded John Moody & Company and published an information and statistical directory containing information on stocks and bonds of financial institutions, government agencies, industrial, mining, communal and food companies.

Today, Moody's Investors Service covers its debt ratings of over \$ 30 trillion in 100 countries worldwide. The company employs 700 analysts and more than 1,500 employees all over the world.

For rating groups from Aa to Saha, Moody's uses digital modifiers 1, 2, 3, which specify the relative place of securities within a single rating category:

- 1) means that this release is in the upper range of this rating category;
- 2) in the middle of the rating category;
- 3) in the lower range of this rating category.

Ratings for short-term debt obligations

Short-term loans are maturities of 12 months or less. Moody's assigns ratings to liabilities only for investment grade (long-term rating from Aaa

to Vaa). Therefore, Moody's rating system for short-term debt obligations reflects the issuer's full and timely payment of its debts.

Clarification of this system is given in Table 7.1

Table 7.1. Moody's Investors Service Ratings for Short-Term Debt Obligations

Rating	Characteristics
Prime-1 (p-1)	Great ability to repay their short-term debts. The issuers marked with this rating, of course, are being concealed a leading position in a functioning stable industry, have high returns on invested capital, stable cash flow
Prime-2 (f-2)	High ability to repay its short-term debt. For issuers of this category, all that is listed for the issuers P-1 is characteristic but to a lesser extent. In addition, the growth rate of profit and revenues are more dependent on the economic situation
Prime-3 (P-3)	Acceptable ability to repay short-term debt. Issuers of this category are more dependent on market conditions the market. The instability of the growth of profits may lead to the need for relatively high loans and the growth of the ratio of debt and equity

7.6 Standard 6- Poor's

The history of the company begins in 1860 when Henry Varnum Poor published the History of the United States Railways and Channels. In 1906, the "Standard Statistic Bureau" was created to provide investors with financial information about American companies. In 1916 (a few years after J. Moody), Standard Statistic began to assign ratings to corporate bonds, and since 1940. - municipal bonds. In 1941 Poor's Publishing (Henry V. Poor) and Standard Statistic merged to form Standard & Poor's Corporation. In 1966 McGraw-Hill acquired Standard & Poor's, and today Standard & Poor's is a subsidiary of this corporation.

Today Standard & Poor's employs 1200 internationally renowned analysts and economists. The company has 21 offices and branches around the world, provides investors with the most comprehensive information about the securities market, the prospects for the economy, calculates the family of its indices (S & P-500, etc.).) and is a recognized securities and stock market company, a nationwide rating company.

To determine the rating of Standard & Poor's bonds first and foremost.

Studying the profits of a company that issued this debt obligation. The short-term and long-term prospects of profitability of the company, past and current profits, the reputation of the manufactured products, the nature of the industry in which the company operates, the company's position on the

market, and the quality of management are assessed. In addition, diligently studied and analyzed the provision of bonds and interest in fixed assets, net working assets, cash and the adequacy of its working capital). The result of such a laborious work with a rating of bonds, expressed in the form of an alphanumeric code. Clarification of the rating scale is given in Table 10.7.

Table 7.2. Standard & Poor's Ratings for Long-term Debt Obligations

Rating	Characteristics
AAA	The highest rating. The highest quality of bonds. Return of the principal amount and timely payment of interest are guaranteed
AA	Bonds belonging to the group AAA, differ from this group only a remarkable degree of characteristics. Very high quality
A	Bonds of high quality. The principal amount of debt and interest is fully protected by the debtor's assets. From the previous two groups, there is a greater dependence on changes in the economic situation
BBB	The debtor will be sufficiently able to return debts and pay interest, but the state of affairs and the general economic situation can significantly affect his finances
BB	The debtor is currently regularly repaying debts and paying interest on time, but negative changes in the economy may result in the inability to pay interest in a timely manner and repay the principal amount of the debt
B	Currently bonds are paid interest on time, but it is unlikely that in the long run, financial obligations will be paid with the same punctuality
CCC	Papers of this category bear a certain risk of being unpaid. Only favorable economic conditions require the debtor to pay for their obligations. The smallest unfavorable changes in the economy will lead to non-payment
CC	Bonds of this group are at high risk of being unpaid
C	Highest non-payment risk. This rating can be used in a situation where the debtor has filed a bankruptcy claim, but while continuing payments on bonds
D	The Debtor does not repay any debts and no interest rate Rating D may also be assigned if the company has filed a bankruptcy application and, at the same time, payments will be discontinued with high probability.
NR (not rated)	No rating - Rating Individual agency does not rank for two main reasons: 1. Insufficient information on which basis is assigned a rating. 2 Does not rank This debt obligation (debtor) according to its specific, political or some other reason.

Rating categories from AA to SSS can be specified using the "+" and "-" characters. This is done in order to show the relative place of securities within a single significant one rating category. For example, A-rated bonds occupy the last place in category A, and BB rating + stands for positions at the top of the BB category.

Standard & Poor's ratings for short-term debt obligations

Unlike rating agency Moody's, which assigns ratings to short-term debt obligations of only the investment level (Aaa-Baa), Standard & Poor's also rated speculative papers, that is, those that enable the issuer of a debt obligation to provide interest payments and repayment of the principal debt can not be provided with certainty

Other ratings by Standard & Poor's

Quite often in financial news you can meet the so-called rating outlook (Rating Outlook), indicating that the long-term credit rating of the analyzed object financial activity in the near future may be changed to the best or worse. At the same time it is not necessary that the rating prospect is a predictor of the rating change. The review may not be held. The rating perspective is a stylish indicator of the mood of Suuidard & Poor's agencies for a particular object, which indicates that if the rating of a given financial asset is reviewed, then it is likely to be revised in the direction of the rating outlook.

Standard & Poor's highlights the following rating prospects:

- Positive - rating can be increased
- Negative - rating can be lowered.
- Stable - most likely, the rating will not change.
- Developing - the rating can be both increased and lowered.
- N.M. (not rainingful) - the prospect is not defined (Sharp and oth, 2003).

Check Questions

1. Classification of world capital markets.
2. The essence of international investment.
3. Subjects and objects of international investment activity.
4. Classification of investments.
5. Forms of international investment.
6. Options for the formation of a portfolio of investments in modern conditions.
7. Disadvantages and potential benefits of international investment.
8. Development of the theory and methods of using investment resources.
9. The theory of the formation of the portfolio G. Markovits and one-factor model of market capitalizes Sharpe.
10. Essence of model of financial assets estimation (SARM).
11. The Mandell-Fleming model for operations of financial institutions.
12. A multiple model of the Sunny
13. The theory of arbitrage pricing
14. Functional structure of the international investment market. Analysis of supply and demand for direct investment in the international investment market
15. The place and role of the securities market in the structure of the international investment market
16. Features of functioning of the most important international and national securities markets
17. International business activities and forms of company's appearance on foreign markets
18. International investment in the context of internationalization
19. Benefits and Constraints of Foreign Business Activities
20. Motivation of direct partners of international entrepreneurial investment activity
21. TNCs as a subject of international entrepreneurial investment activity.
22. International joint ventures and their systematization.
23. Classification of securities. Essential characteristic of the types of shares.
24. Characteristics of stock market indicators and the impact on them of multiple quotes.
25. Organization of stock trading on different national markets.
26. Participants of the international portfolio investment activity.

27. Formation of a portfolio of international investment in shares. Estimation of the yield of shares.
28. Risk Shares.
29. International bond market. Types of bonds
30. Features of trading in bonds in various national markets and the market of Eurobonds. Bond stock markets indices
31. Passive and active approaches to the formation of an international portfolio of bonds.
32. Investment certificate and derivative securities.
33. International bond market. Types of bonds.
34. International Stock Investors and their peculiarities
35. Investment funds in the international investment market. Open-ended investment funds.
36. Closed-end funds
37. The main modes of investment policy of the state.
38. System of State Guarantees for Foreign Investors.
39. Means of state regulation of foreign investments.
40. Main directions and means of realization of the policy of stimulation of attraction of foreign investments.
41. SEZ as one of the means of stimulating the attraction of foreign investments.
42. Stock market indices. General concepts and calculation technique
43. Major US stock indices. Dow Jones Industrial Average (DJIA)
44. Stock Index S & P 500 (Standard and Poor's 500 Composite Stock Price Index)
45. The NASDAQ (National Association of Securities Dealers Automated)
46. Quotation Index. Other well-known and authoritative world indexes
47. Investment rating agencies and investment ratings
48. Necessity and essence of selective regulation of foreign investment.
49. The problem of volumes of attraction of foreign investments.
50. Selection of investments by subjects, sizes and terms.
51. Forms of stimulation and criteria for limiting foreign investment activity.
52. The concept of "investment fields" and the intensification of direct foreign investment.

Conclusions

Today international investment activity in its scope and degree of impact on national economies and global economic processes belongs to the group deciding factors.

Therefore, the training of specialists in international economics studying the subject of "International investment activity" is an important component of the formation of professional competence.

The purpose of teaching "International investment activity" is to develop students' understanding of the principles of international investment, knowledge creation and acquisition of analytical and practical skills in the implementation of foreign investments, including in particular the case of Ukraine.

The task of discipline is the study of the principles of investment by the state, international and domestic corporations, as well as the most common instruments of international investment. (Zadoia, 2015).

The introduction of joint investment vehicles should provide suitable conditions for investing. By improving the system of corporate governance, a transparent system for protecting the rights of all investors will develop.

Investment resources should grow with the effective use of public investment and increased long-term lending volumes for the real economy, at the same time as the possibilities of foreign investment are used in more traditional ways.

Government support for high technologies and the development of an innovation infrastructure in the country should help attract investment into innovations and bring the Treasury revenues from the use of this know-how.

By implementing the strategy for long-term economic development, Ukraine should see State Budget and local budgets investments on industrial and social projects grow, while the specific volumes are determined at the appropriate level of government.

Foreign investors are awaiting for the possibility to start exploring Ukraine's rich resources, and creating a favourable climate for that would give a rise to Ukraine's future prosperity (Khamutovska, 2013).

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Навчальне видання

**Таранюк Леонід Миколайович,
Д'яконова Ірина Іванівна,
Таранюк Каріна Вікторівна**

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