

Spring 2012 Final
2:30 B

9A

1. Buy 100 shares of ~~Apple~~ Price falls by (more than any dividends paid while short.)

2. $r(\frac{1}{2}) = \frac{.05}{2}$; $r(\frac{1}{2}) = (1 + r(\frac{1}{2}))^{\frac{1}{2}} - 1$

3. lower

4. increase profits, reduce cash flow

BLN Askken then

5. use it to calculate: correlation between the two stocks, calculate (standard deviation of a portfolio) of the two stocks, tell if stocks move in (same or opposite) directions

6. covariance between stock and market, variance of market

7. betas of stocks, investment in each stock

8. $(-2.09 + (65 - 60)) \times 100$

9. Falls, (offset by reduction in beta)

10. It signals (mgf's confidence) in the firm

(worse off) as value of stock drops.

- ↓ E(R) (14)
- ↓ req. return (13)