

Quiz B for 2:30 Class: 2/11/13

Name Key

Assume you believe that the past five years have been representative for both Amazon (AMZN) and Walgreen (WAG). Set up the calculations (equations and all relevant numbers) you would need to compare the (a) return and (b) volatility you can expect from investing in these two stocks.

Year	Return on:	
	AMZN	WAG
2012	37%	23%
2011	15%	-16%
2010	35%	14%
2009	113%	34%
2008	-24%	-28%

Wall Street Journal Questions are on the back of this page.

$$a. \bar{r}_{AMZN} = \frac{1}{5} (37 + 15 + 35 + 113 - 24) = A \quad (20)$$

$$b. \bar{r}_{WAG} = \frac{1}{5} (23 - 16 + 14 + 34 - 28) = B \quad (20)$$

$$b. SD(r_{AMZN}) = \sqrt{\frac{1}{4} ((37-A)^2 + (15-A)^2 + (35-A)^2 + (113-A)^2 + (-24-A)^2)} \quad (5)$$

$$c. SD(r_{WAG}) = \sqrt{\frac{1}{4} ((23-B)^2 + (-16-B)^2 + (14-B)^2 + (34-B)^2 + (-28-B)^2)} \quad (5)$$