

Covariance

Correlation



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Covariance

The covariance measure is susceptible to the unit of measurement, we can arbitrarily inflate or deflate the covariance by choice of units.



Covariance

Correlation =
$$\frac{Covariance(X,Y)}{Stdev(X)Stdev(Y)}$$



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Excel Command (correlation)

=CORREL(range1, range2)



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- Affected by the units of measurement.



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