UCLA **Fall 2016**
MGMT 239C **Prof. Mikhail Chernov**

Empirical Asset Pricing
Problem Set 9
due 12 hours before the class

Problems

1. Consider three assets (e.g., stocks: IBM, Apple, and Facebook). Choose F as the numeraire. Model the joint return dynamics of A and I in terms of F as a bivariate normal (iid). Derive the dynamics of I and F if A is the numeraire. What would you conclude about the return of F? What changes if the original model is not iid (e.g., the mean is time-varying)?