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HW0224

**Question 2.1**

1. Complete the entries in the table. Put the sums in the last row. What are the sample means x and y?

X meas = x\_bar = 1, Y mean = y\_bar = 2

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1. Calculate b1 and b2 using (2.7) and (2.8) and state their interpretation

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1. Checked

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1. Results

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1. Results

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1. Yes, the regression line passes through the mean point
2. h)

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1. Result

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1. Results

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**Question 2.14**

a) Elasticity of wages with respect to education at the “point of the means.”: 1.247214

b) Standard error of the elasticity of wages with respect to education at the “point of the

means.”: 0.0956108

c) The predicted wage for an individual with 12 years of education in each area, With 16 years of education

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**Question 2.16**

a) CAPM is a simple regression model because it models asset returns as a linear function of a single independent variable (market returns). It follows the standard OLS regression framework, making it a fundamental tool in finance for estimating risk and expected returns.

b) Estimate the CAPM model for each firm, and comment on their estimated beta values

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Ford company has the most aggressive beta, while ExxonMobil has the most defensive beta

c) All alpha is insignificant (alpha is closed to 0) supports CAPM theory

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Microsoft stock plot

A graph with dots and a line

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d) Beta is quite similar regardless of whether the model includes or excludes alpha (intercept).

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