a) $\Delta \log(S\&P500) = 0.177 - 0.213 \times \text{Book-to-market} + e$

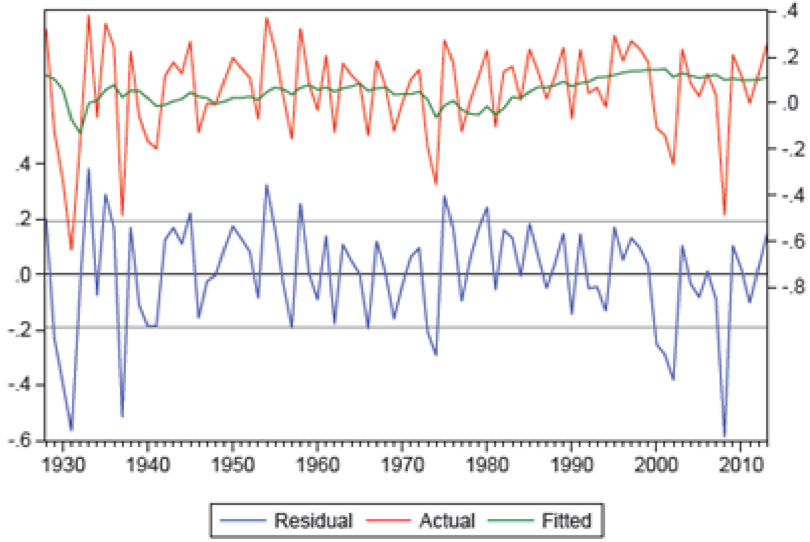
$t = -2.70$

b) $S\&P\,500 = 1035.7 - 1217.7 \times \text{Book-to-market} + e$

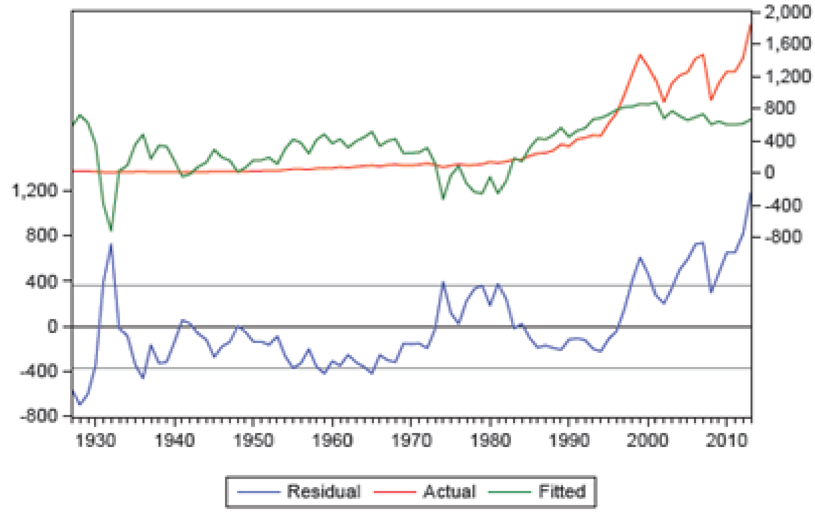
$t = -8.07$

c)

(a) Δlog (S&P500)



(b) S&P500



o. pattern
- strong persistence
=> not normal for e