

1. Question — You want to compare two stocks. The following averaged monthly returns were yielded by stock A and B, respectively:

A	B
1.7	-0.1
2.4	-0.3
0.1	3.2
0.5	2.5
-2.5	5.2
6.6	-1.3
1.5	0.2
0.2	1.8
0.1	2.2
2.1	0.3
3.1	0.1
-1.1	1.9

Table 1: Averaged monthly returns

Compute the covariance between the two stocks. What does this value mean?

2. Question — Compute the pearson coefficient based on the above values: