FIN 500
Intro to Finance
Homework 2

Ideas: Returns; Risk & Returns; Risk Measures*

Due: 5 November 2018.

The purpose of this homework is to get you more familiar with analyzing financial data in R.

As before: you may discuss ideas with one another, but not to the point of reaching an answer. You *must* do your own work and not use someone else's code or writeups. That also means not lettting someone else use your work.

The R code in the text (and which you should use and modify) is available from the textbook webpage: `www.q36llc.com/think/investments`. You should grab data for the data range 20141001–20181001

Problems

(10) 1. Chapter 6, Exercise 1

 (5) 2. Chapter 6, Exercise 2

(10) 3. Chapter 7, Exercise 1
      2 points for (a), 2 points for (b), 2 points for (c), 4 points for (d)

 (8) 4. Chapter 7, Exercise 2
      1 point for (a), 1 point for (b), 4 points for (c), 2 points for (d)

(18) 5. Chapter 7, Exercise 3
      For the Group 1 and Group 2 stocks, combine their prices into an index for each group with an equal dollar amount invested in each stock. Do this by dividing their adjusted prices by the adjusted price at the start of the time period analyzed. Then, add all the rescaled prices at each time period to get an index price.
      2 points for (a), 2 points for (b), 4 points for (c), 2 points for (d), 4 points for (e), 4 points for (f).

(18) 6. Chapter 7, Exercise 4
      The book has an (obvious) error. This exercise should read "To get a handle on commodity

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risk, get daily prices for the near futures on WTI crude oil, US natgas, copper, and corn from Quandl."

2 points for (a), 2 points for (b), 4 points for (c), 2 points for (d), 4 points for (e), 4 points for (f).

(14)   7. Chapter 7, Exercise 5

Note that you should be working with 14 instruments: 4 US treasuries, 2 money market instruments, 4 equity instruments, and 4 commodity instruments. 1 point for each correct plus commentary.

(10)   8. Chapter 8, Exercise 1

(4)   9. Chapter 8, Exercise 2

(3) 10. Chapter 8, Exercise 3