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H0: =

Ha: <> (if two sided)

95

Group HW 6

Hypothesis 1: Calendar Anomalies

1. h0: ret in non jan (0) - ret in jan (1) =0

ha: ret in non jan (0) - ret in jan (1) <0

1. Pooled: 0.2510

Satterthwait: 0.2407

1. Significance level: 95%
2. We used for Adobe data from the past 5 years (2015 - 2019)
3. At a 95% significance level, we do not reject h0. We don’t have enough information to conclude that returns in January are not greater than returns in other months
4. The potential implications of this result are that calendar anomalies are not as present for Adobe as they may be for other stocks. This may be because this anomaly is especially prevalent for small return firms, which Adobe is not. Because Adobe does not experience this anomaly, the month should not affect an individual’s decision about whether to buy or sell Adobe stock.

Hypothesis 2: Growth vs. Value stocks

1. h0: ret in growth stock (0) - ret in value stock (1) =0

ha: ret in growth stock (0) - ret in value stock (1) <>0

1. Pooled: .3311

Satterthwaite: .3311

1. Significance level: 95%
2. We used Adobe as a growth stock because it’s P/E ratio on the yahoo finance site is 50.98 and JP Morgan as a value stock because it’s P/E ratio is 11.91. The data again was from the past 5 years.
3. At a 95% significance level, we cannot reject h0 because the p-value for all methods is above .05. This means that growth stocks do not have higher returns than value stocks.
4. A potential implication of this result is that while a value stock may in many years have higher returns than a growth stock, it is not a guarantee. This can also be seen by the visualization presented in class; over many years this anomaly was present, but the five year sample we used may not have been a long enough time period. When basing financial decisions on this anomaly, individuals should be prepared to see years when their growth stocks to better and vice versa.

Hypothesis 3: Comparing returns in the first 21 days for which companies? Pin and JPM?

1. h0: ret for Pin (1) - ret for JPM (0) = 0

ha: ret for Pin (1) - ret for JPM (0) != 0

1. Pooled: 0.8163

Satterthwaite: 0.8172

Cochran: 0.8175

1. Significance level: 95%
2. Data was collected from Yahoo Finance for the stocks’ first 21 trading days
3. At a 95% significance level, we cannot reject h0 because the p-value for all methods is above .05. This means that the returns for the first few weeks of a company’s IPO are not equal.
4. When deciding which stocks to watch for IPO and invest in, individuals need to carefully look at each individual company. Deciding when to invest in newly public companies may also be a part of the decision making process because our stocks’ first trading days were many years apart. The details to look for may include industry, employee count, headquarter location, etc. Aside from the time period, these were all factors that were different between our two stocks chosen for this comparison.
5. proc ttest data=jpm\_adbe1 cochran ci=equal umpu;
6. class d\_stock;
7. var return;
8. run;
9. all your codes are two sided.