

Problem Set 8

AGEC 317

Please complete the work for this Problem Set in a **Microsoft Word or Excel document**, and submit your work with answers to eCampus by **April 21st at 11:59PM**.

Go to [Yahoo Finance](#) and download 5-year monthly historical data for two stocks. You may choose any two publicly-traded stocks. Be sure to also download 5-year monthly historical data for the S&P 500. Use the historical data to answer the following questions (and **show your work**):

1. What is the standard deviation of each of your two stocks?
2. What is the beta of each stock?
3. Build a portfolio of the two stocks, with 50% of stock 1 and 50% of stock 2. What is the standard deviation of the portfolio?
4. What is the beta of the portfolio?
5. If you invested \$1,000 today, how much would you put in each stock? (*No one right answer here. Just think about it and give a good reason*)
6. Use a moving-average model and an auto-regressive model to predict the price of one of your stocks one period into the future. You decide how many lags you want to include.
7. Which model provides the better forecast? How do you know?