

Portfolio Investment and Management – Professional MBA

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Day 3: in-class practice session

Tasks:

- Open the data in the file Data_Day_2.xlsx, which contains monthly returns for several assets: columns B to K. Columns M to P contains factor excess returns, and column Q the risk-free rate.
- For each of the assets (i.e., Low Prior to High Prior), first subtract the risk-free rate, and then estimate the market beta (hint: use the SLOPE function in Excel).
- We want to test the CAPM model. First, plot the SML as well as the scatter data points corresponding to the combination of expected excess return and beta for each asset. Next, estimate a regression of expected return on the beta (and a constant). What are the results? Comment briefly.