**Homework for M.M.Croce**

**(due by our last class/tutorial together)**

**Part 1**

In our common dropbox folder, you can find a subfolder with the files required for this exercise. Get used to replication files that are sufficient, but perhaps not totally self-explanatory for replication purposes. Yet, you can (and you are expected to) replicate what follows from the provided version of the CMS\_LL.pdf study:

**Table 1:** all columns/rows (NW lag = 24). Small differences in StErr are normal. Make sure you have the same number of `\*’ and hence similar p-values. Make sure that your code shows your table/tabular in the same format of the original table for the sake of easy comparability.

**Table 3:** all columns/rows (NW lag = 12). Small differences in StErr are normal. Make sure you have the same number of `\*’ and hence similar p-values. Make sure that your code shows your table/tabular in the same format of the original table for the sake of easy comparability.

**Table 7:** all columns, but report just the top row with the alpha (NW lag = 12). Small differences in StErr are normal. Make sure you have the same number of `\*’ and hence similar p-values. Make sure that your code shows your table/tabular in the same format of the original table for the sake of easy comparability.

**Table 9:** Replicate the results for the first 4 sets of test assets (col. 1—8). We have estimated the following set of restrictions:

E[(R^{ex,i} - beta^i\*FF)\*FF]=0 (orthogon. conditions for the time series regression)

E[R^{ex,i} – beta^i\*lambda] = 0 (pricing equations using the MPR)

How do the results change if instead you use the following moments?

E[R^{ex,i}\*(1-b\*FF)] = 0 (SDF representation)

NOTE: the LL factor is added to the cross section of test assets we want to price.

**Implementation:** I expect you to build a MAIN\_File\_yourname that computes everything in just one click. This includes also a visualization of the results in a table (tabular) format. Please print it either in pdf (maybe through LaTeX) or in a txt file. You can create:

-- a MatLab file

-- an eViews prg file (read carefully the manual on bandwidth and NW lags)

-- a STATA .do file (read carefully the manual on bandwidth and NW lags)

*Please send me an email with* ***a Dropbox url link*** *to your files. Please do \*NOT\* send a share folder invitation (as I do not need your folder to stay on my computer after the course!).*