

Econ 301 Assignment # 3

This assignment will be worked through the semester. You are expected turn in the assignment on due date. For each late assignment 25 pints will be deducted for each late day.

1. Be sure that you enter the data to Eviews in an ascending order (oldest to current dates).
2. Write a report as if you write to your supervisor not as you answer the questions in an exam.
3. Estimate the following equation

$$\text{Firm Return} = \beta_1 + \beta_2 \text{ BIST100 Return} + u$$

Report the estimates either in Eviews output format or in more elegant presentation in an appendix, not in the main text.

4. Consider various hypotheses testing that fits well with a concrete story.
DO NOT REPORT these test statistics.

- a. Test $H_0: \beta_2 = 0$ versus $H_a: \beta_2 \neq 0$;
- b. Test $H_0: \beta_2 = 1$ versus $H_a: \beta_2 \neq 1$;
- c. Test $H_0: \beta_2 = 1$ versus $H_a: \beta_2 > 1$;
- d. Test $H_0: \beta_2 = 1$ versus $H_a: \beta_2 < 1$;
- e. Test $H_0: \beta_1 = 0$ versus not H_0 ;
- f. Test $H_0: \beta_1 = 0$ versus $\beta_1 > 0$;
- g. Test $H_0: \beta_1 = 0$ versus $\beta_1 < 0$;
- h. Any other that you may find meaningful... (i.e., all above hypotheses mean something ;))

5. Please do write a report regarding *what these test results tell* to your supervisor in a concrete story. It should be in non-technical format but all the inferences should be indebted to your report, i.e.,
 - a. The report should have a theme and a concrete story to tell
 - b. Use basic econometric techniques to defend your argument as much as your supervisor may understand (you may report the econometric jargon in footnotes not in the main text).

The assignment is due to October 20, 2017 21:59.