

Econ 301 Assignment # 4

This assignment will be worked through the semester. You are expected turn in the assignment on due date. For each late assignment after November 22, 2017 (Hi?) 25 pints will be deducted for each late day.

1. Consider least two other variables (Factor1 & 2) that may affect the return of equity of your choice.
2. Reason each of them well.
3. Estimate the following equation:

$$\text{Firm Return} = \beta_1 + \beta_2 \text{ BIST Return} + \gamma_2 \text{ Factor 1} + \gamma_3 \text{ Factor2} + u$$

4. For factors you may consider qualitative variables such as
 - a. January effect: Returns on Januaries to be higher compare to other months. Thus you may define a variable it takes the value of one for January and zero otherwise.
 - b. Day of the week effect: Fridays have higher return compare to other days.
 - c. Return after 2008 might be different
 - d. Anything else you may find sensible.
5. You may also consider not only the intercept term but the slope term may change with a qualitative variable.
6. **You are expected to consider various hypotheses testing that fit well with a concrete story and report their results. Do not use econometrics jargon. DO NOT REPORT these test statistics, etc.**
7. THEN
 - a. Write a report as if you write to your supervisor
 - b. The report should have a theme and a concrete story to tell
 - c. Use basic econometric techniques to defend your argument as much as your supervisor may like (you may report the econometric jargon in footnotes not in the main text).

The assignment is due to November 10, 2017 22:59.