Question 1 (2 points) *Saving...*

Using all the given data, test the Euler equation using lagged returns R_t and R_{t-1} as instruments. What is the asymptotic GMM estimate of ρ and its z test-statistic value based on the null that $\rho = 1$? Find the closest estimates.

- A) 0.83, 1.97
- B) 0.98, 1.65
- C) 1.02, 0.55
- D) 1.05, 0.40

Question 2 (1 point) ✔ *Saved*

Using all the given data, test the Euler equation using lagged returns R_t and R_{t-1} as instruments. What is the asymptotic GMM estimate of the relative risk aversion parameter and its standard error based on the null that the parameter = 0? Find the closest estimates.

- a) 7.3, 5.4
- b) -7.3, 5.4
- c) 2.9, 3.1
- d) -2.9, 3.1

Question 3 (2 points) ✔ *Saved*

Based on GMM estimation in Q1 and Q2, what is the J-statistic and its p-value in the test of the model?

- (•) A) 0.0026, 0.96
- ( ) B) 0.8447, 0.36
- ( ) C) 1.9536, 0.16
- ( ) D) 2.7938, 0.09

Question 4 (2 points) ✔ *Saved*

Suppose the returns R_{t+1} , R_t , R_{t-1} , etc. are autocorrelated, will the GMM method yield similar asymptotic estimates?

- ( ) A) Larger estimates
- (•) B) Similar estimates
- ( ) C) Smaller estimates
- ( ) D) Unable to yield estimates

Question 5 (2 points) ✔ *Saved*

Suppose the moment restriction is developed as the following instead:

$$E_t\left[\rho(R_{t+1})C_{t+1}^{\gamma} - C_t^{\gamma}\right] = 0$$

will the GMM estimation and testing yield similar results as those in Q1,2,3?

- (●) A) No, because of wrong specification
- ( ) B) No, because argument may be non-stationary
- ( ) C) Yes, because it is the same specification
- ( ) D) Yes, asymptotically there is no difference