

Financial analyse

Business



**ASSIGN
BUSTER**

Marks: 15% of total assessment Group size: a minimum of four students and a maximum of six students Due Date: Monday 7 May 2012, pm Instructions The assignment requires the use of PC or Mac computer. You will need to be familiar with a spread sheet (for example Excel), word processor (for example Word) and statistical package (for example Views or SPAS). This project is worth 15% of the assessment in this course. Students must form their own groups of between four and six members. The completed assignment should be placed in the assignment boxes labeled FEMINISM by pm on Monday 7 May 2012.

The boxes are located in the Research School of Finance, Actuarial Studies and Applied Statistics Office, Level 4, College of Business and Economics Building ICC. Late submissions will not be marked. Presentation Assignments must be typed, single spaced on A4 paper using Times New Roman 12 point font. The document must be double-sided with 2.5 CM margins. The reference list must be formatted according to the style sheet used by the Journal of Finance (<http://www.faa.org/journal/submission.asp>).

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Marks will be deducted for assignments that do not conform to these instructions. Students must fill out, sign and attach the cover sheet – the attached file, “Cover sheet”, must be used for this.

In addition to hard copy submission, you must also submit an electronic copy of part A of the assignment. This must include your results and workings. You may either burn the file to a CD and submit it with your assignment or you

may email it to the lecturer by the due date. Make sure you fill out the first worksheet with the names and student numbers of everyone in the group.

If you submit a CD, write the group members' names on the CD. PART A 1.

The file “ data” contains returns data on the market, risk free asset and a number of stocks. Choose five stocks from the file, list the names of the stocks and calculate their average returns and standard deviations. Present a covariance matrix for the five stocks as well as the market. Use the data from January 2000 to December 2010 only. 2. For the period January 2000 to December 2010, calculate the Sharpe and Sorting ratio of each stock and interpret these ratios.

Using your covariance matrix from (1) above, calculate the beta of each stock and also the beta of an equally weighted portfolio of all five stocks. What do the betas tell us about the stocks? Use the period January 2000 to December 2010. 4. Now use regression to determine the beta of each stock, using the same stocks and sample period as in (1). Show your regression output. Does the CAMP hold for these stocks? 5.

Damson (1979) Identified a problem with calculating betas using the CAMP. In 100 words or less, describe the problem identified by Damson in that paper. You can find Damson's paper in the assignment folder on Wattle. . For each of the five stocks you Identified In (1) and using the same sample period, calculate beta using Damsons method (on page 203 of his paper, equation (8)).

Show the regression output. Use three lags and three leads (these will be outside the sample period). What do your results tell you about the stocks

PART B You are currently a financial analyst based in Australia, but you are a specialist in analyzing stocks of Asian companies. You are aware that some analysts believe that there are size and book-to-market effects in stock markets and think these factors are useful in asset pricing.

You decide to do some research into the issue. Choose two academic papers from the Pacific Basin Finance Journal or the Australian Journal of Management (available electronically through the library website) which examine whether size and/or book-to-market factors exist in Asian markets (1).

E. Not papers which examine Australia). The papers may look at a number of countries, or focus on just one country. 1. For each paper, write a brief summary of the data, methodology and findings. Each summary should be a maximum of 2 pages.

2. Provide a reference list of the two papers you have reviewed in part (1).