

Stock A has a beta of 0.8, Stock B has a beta of 1.0, and Stock C has a beta of 1.2. Portfolio P has equal amounts invested in each of the three stocks. Each of the stocks has a standard deviation of 25%. The returns on the three stocks are independent of one another (i.e., the correlation coefficients all equal zero). Assume that there is an increase in the market risk premium, but the risk-free rate remains unchanged. Which of the following statements is correct? Answers: a-The required returns on all three stocks will increase by the amount of the increase in the market risk premium. b-The required return on Stock A will increase by less than the increase in the market risk premium, while the required return on Stock C will increase by more than the increase in the market risk premium. c-The required return of all stocks will remain unchanged since there was no change in their betas. d-The required return on the average stock will remain unchanged, but the returns of riskier stocks (such as Stock C) will decrease while the returns on safer stocks (such as Stock A) will increase. e-The required return on the average stock will remain unchanged, but the returns of riskier stocks (such as Stock C) will increase while the returns of

safer stocks (such as Stock A) will decrease.

Answer:

b-The required return on Stock A will increase by less than the increase in the market risk premium, while the required return on Stock C will increase by more than the increase in the market risk premium.

Explanation:

Beta reflects the risk associated, as the beta is low, the expected risk is also low, accordingly return expected is also keeping all things constant.

When Beta is less than 1 it means the returns will be lower than market, accordingly for Stock A the return will increase but slower than the market risk.

Whereas, the Beta is more than 1 of Stock B and accordingly the risk is more but return will grow even faster as the risk volatility is high than the market risk.

Is the number deer on the island a density-dependent or destiny-independent limiting factor for the wolf?

In "The Convict and the Bishop," why doesn't Valjean have to pay the bishop to stay with him overnight? A.

The church does not charge money for taking care of people.

B.

Madame Magliore is afraid to touch Valjean's money.

C.

The bishop is already very wealthy.

D.

He has already given his money away at the taverns.

The frontal lobes also include the primary _____ which controls voluntary motor functions.

Katrina bought 21 fruits. She bought 4 pears, 3 apples, 8 mangoes, and the rest are peaches. What fraction of the fruits were apples or mangoes?

Carol and her mom have the similar noses, eyes, and hands. Which of the following explains why Carol and her mom have similar traits?

Danielle is a manager at a restaurant. The employees bring to her notice that they are dissatisfied with their jobs; they feel they are not paid enough for the number of hours they work. They demand a 20 percent increase in their salaries and a two-hour reduction in their working hours. After several rounds of negotiations, both Danielle and her employees agree on a 15 percent salary hike and a reduction of one hour in their working hours. The concept of _____ is illustrated in this scenario.

Is $\frac{8}{10}$ a multiple of $\frac{4}{5}$

In _____, the desired genes from one organism are combined with genes of another organism, resulting in a new combination of genes. A.hybridization
B.recombinant DNA
C.selective breeding
D.cloning

Graphing helps scientists to count the number of people in the world
predict future trends

determine the mass of an object

find the answer to any question

jewish tradition teaches that governments in jewish societies should make policies that conform to the ten commandments. this illustrates the belief that

What was one difference between the maya and aztec governments

a historian looks through hundreds of photographs from the territory's attacks on New York city's World Trade Center on September 11 2001 to try learn more about the people it affected. which skills is the historian using

although the industrialization of russia under stalin was attractive to many outside observers, the personal costs of this effort

A population of rodents contained 703 individuals at the end of march. During the month of april, 47 died, 17 were born, 57 immigrated, and 16 emigrated.

What was the population size after those events?

How many atoms of chlorine (Cl) are shown below?

5 CaCl₂

Juan and Raj cut up a banana to put on cereal. Juan puts 17 of the banana on his bowl of cereal, and Raj puts 25 ? of the banana on his bowl of cereal. What fraction of the banana did Juan and Raj put on their cereal altogether?

What is the slope of the line passing through the points (2, 4) and (5, 6)?

Who was Martin Luther King?

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