



Q6. The following are the monthly rates of return for Madison Cookies and for Sofie Electric during a six month period.

Month	Madison Cookies	Sofie Electric
1	-0.04	0.07
2	0.06	-0.02
3	-0.07	-0.10
4	0.12	0.15
5	-0.02	-0.06
6	0.05	0.02

Compute the following:

1. Average Monthly rate of return for each stock
2. Standard deviation of return for each stock
3. Covariance between the rates of return
4. The correlation coefficient between the rates of return

Would these stocks be good choices for diversification? Why or why not?

Q7. Assume that you purchased an 8 percent, Rs. 1000 par value semi - annual payment bond priced at Rs. 1012.5 when it has 12 years remaining until maturity. Compute its yield to maturity.