Portfolio A has a beta of 1.0 and an expected return of 22%. Portfolio B has a beta of 2.0 and an expected return of 17%. The risk-free rate of return is 2%. Is there an opportunity for arbitrage: (Please explain your answer)

Answer:

Yes, there is an opportunity.

Explanation:

Beta is an indicator of the risk of any portfolio. The higher beta, the greater the risk. Therefore, the expected return of that portfolio should be higher.

Portfolio B has a higher Beta than portfolio A, but a lower expected return, so we say that the portfolio B is more expensive than it's value. So, there is an opportunity for arbitrage. You should sell the protfolio B and buy the portfolio A, and win the difference between both operations, with no risk.

given measure of angle HGK is equal to the measure of angle JGL prove measure of angle 1 equals the measure of angle 3
Express vector f? in the form of fx, fy, fz, where the x, y, and z components are separated by commas. f? = n
How many letters are in the abc's
This figure is an equilateral triangle what is the figures angle of rotation enter you answer in the box
If your goal is to obtain information about laws governing special education policies in elementary schools. Which of these searches would return the best results? B- education elementary school C- special education laws elementary schools D- special education laws I didn't put A because I know its not the right answer. Plz help me
Which Crusade was the only successful one?
Prove: If ? is an eigenvalue of A , x is a corresponding eigen- vector, and s is a scalar, then ? ? s is an eigenvalue of A ? sI and x is a corresponding eigenvector.
38.0 mL of a 0.026 M solution of HCl is needed to react completely with a 0.032 M NaOH solution. Calculate the number of moles of HCl originally present
LO activity 3: fraud and corruption
You buy a container of cat litter for $13.75 and a bag of cat food for xx dollars. The total purchase is $20.80, which includes 4% sales tax. Write and solve an equation to find the cost of the cat food.
Question 1 with 1 blankLa ensalada? El camarero nos sirvió. Question 2 with 1 blank¿El salmón? La dueña me recomienda. Question 3 with 1 blank¿La comida? Voy a preparárte . Question 4 with 1 blank¿Las bebidas? Estamos pidiéndose . Question 5 with 1 blank¿Los refrescos? Te puedo traer ahora. Objeto

indirecto Question 6 with 1 blank¿Puedes traerme tu plato? No, no lo puedo traer. Question 7 with 1 blank¿Quieres mostrarle la carta? Sí, voy a mostrár la ahora. Question 8 with 1 blank¿Les serviste la carne? No, no la serví. Question 9 with 1 blank¿Vas a leerle el menú? No, no lo voy a leer. Question 10 with 1 blank¿Me recomiendas la langosta? Sí, la recomiendo.

What industry grew tremendously after the civil war.

If a business buyer estimates that 20 percent is a reasonable rate of return for an existing business expected to produce a profit of $27,000, its capitalized value would be

True or false Formal citations are required for all forms of media used to convey research. This includes slideshow presentations, films, and websites.

A small economy produced the following final goods and services during a given month: 3 million pounds of food, 50,000 shirts, 20 houses, 50,000 hours of medical services, 1 automobile plant, and 2 tanks. Complete the following table by calculating the market value of output for each good or service.

Good or Service Quantity Market Price (Per unit) Value of Output

Pounds of food 3 million pounds $1 $_____

Shirts 500,000 $22 $_____

Houses 20 $50,000 $_____

Medical service 50,000 hours $20 $_____

Automobile plant 1 $1,000,000 $_____

Tanks 2 $500,000 $_____

carla is 8 years old. leo is 2 years younger than carla. kary is 6 years older than leo. how old is katy?

By varying food choices among and within food groups in the USDA Food Intake Patterns (MyPlate), you will help to ensure adequate nutrient intakes and protect against large amounts of toxins or contaminants from any one food.

A new car worth 30,000 is depreciating in value by $3,000 per year. After how many years will the car’s value be $6,000?