

## 6<sup>th</sup> Week in class activity

### Review for chapter 7, The Stock market

1) You believe that a corporation's dividends will grow 5% on average into the foreseeable future. If the company's last dividend payment was \$5 what should be the current price of the stock assuming a 12% required return?

2) Current price of this corporation's stock is \$68 per share. Should we take a long position or a short position?

3) The Beta for this corporation's stock is 1.25. Interpret a beta of 1.25.