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1.1) $E(a_t) = E(E(a_t | F_{t-1}))$

$= E[E(\sigma_t \varepsilon_t | F_{t-1})]$ using law of iterated expectation

$= E[\sigma_t E(\varepsilon_t | F_{t-1}))$

$= 0$ #

$E(r_t) = 0.002 + E(a_t) = 0.002$ #