

Summary

(1.) Beta And Return

(2.) The question of this research is that is beta really dead. In another word, is the slope of the line relating to the expected return and beta is really flat. (3.) If the line is particularly flat, it means that individuals that used beta have a huge investment opportunity. But if the line is steep like it is predicted by CAPM, the beta would be a valuable investment tool. From 1931 to 1965, low-beta stocks in the USA did better than the CAPM predicts.

(4.) This paper uses monthly data of NYSE listed stocks data from the Center for Research in Security Prices at Universities of Chicago for the period 1926-1991. For monthly regression, he uses the portfolio method because the stocks in the portfolio are constantly changing. The portfolio method in this paper follows the BJS procedure but adopts the Black-Scholes estimation of portfolio beta, alpha, and residual risk at the same time. The dependent variable is portfolio excess return. The independent variables are the equally weighted market excess return.

(5.) The result finds that low-beta stocks did best in the last decade in the sample. Low-beta stocks, according to the author, will continue to do better than the CAPM predicts. (6.) These findings are supported by Black, Jensen, and Scholes (1972), and Miller and Scholes (1972). (7.) Though, the Isolation of the behavior of stocks with different betas will complicate the analysis.

(8.) Individual investors or firms who are rational should continue to utilize the CAPM and beta to evaluate investment value and to select portfolio strategies.