

Hint: (Assignment 1 – Q8)

Perform Chow-test applying dummy variables technique can be done by running the model using intercept dummy and all slope dummy variables. In this case, intercept dummy variable is d1 but no slope dummy variables. Therefore, we need to generate slope dummy variables of all three factors (rm, smb, & hml).

Generate slope dummy variables by the following command:

```
. g d1rm=d1*rm  
. g d1smb=d1*smb  
. g d1hml=d1*hml
```

Then, run FF model with intercept (d1) and all slope dummy variables by using the following command:

```
. reg rj rm d1rm smb d1smb hml d1hml d1
```

Perform the test of all dummy variables, which is similar to Chow-test, by the following command:

```
. test d1 d1rm d1smb d1hml
```