ECO358 - Practice Midterm 2

Clearly state the formula/procedure/approach that you have used to obtain your results; the approach is more important than the result. If an explanation is required, write **brief** answers; the probability of writing something wrong is higher in long answers. Fuzzy logic, ambiguity and multiple answers will reduce your credit.

1 Portfolio theory [16 points]

You have the following two stocks and states of the world.