7. THE CAPITAL ASSET PRICING MODEL

1 The beta or regression coefficient of an individual stock with respect to the market-index can be analysed as

(a) $\mathrm{CORR}(S,M) \text{ x } \dfrac{V_m}{V_s}$

(b) $\mathrm{COV}(S,M) \text{ x } \dfrac{V_s}{V_m}$

(c) $\mathrm{CORR}(S,M) \text{ x } \dfrac{V_s}{V_m}$

(d) $\mathrm{CORR}(S,M) \text{ x } V_m \text{ x } V_s$

(e) $\dfrac{\mathrm{COV}(S,M)}{V_S}$

where

$\mathrm{CORR}(S,M)$	=	Correlation between stock return and market return
$\mathrm{COV}(S,M)$	=	Covariance of stock return and market return
V_s	=	Volatility of stock return
V_m	=	Volatility of market return