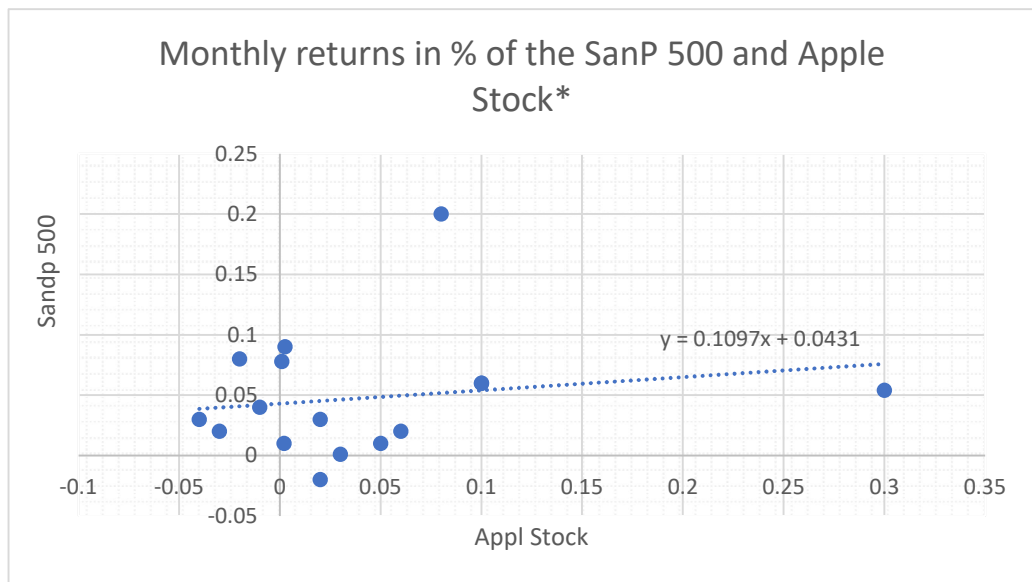


Appl stock	SandP
0.06	0.02
0.05	0.01
0.02	0.03
-0.01	0.04
0.1	0.06
0.03	0.001
0.02	-0.02
0.001	0.078
-0.02	0.08
0.08	0.2
0.002	0.01
-0.03	0.02
-0.04	0.03
0.0025	0.09
0.1	0.06
0.3	0.054



$\beta = 0.1$ The slope of the line = the beta

* These are fake data points, I made up random data points to demonstrate the concept of a Beta

Making sense of the numbers

A low beta possesses lower risk, while high betas possess higher risk.

This is why in the Capital Asset Pricing Model, assets with high betas have a higher rate of return.
An investor must demand a return higher than the return given by the CAPM

CAPM Formula

Required rate = risk free rate + β (return on market - risk-free rate)

