
TABLE OF CONTENTS

| | <i>Page</i> |
|--|-------------|
| CHAPTER 1: INTRODUCTION..... | 1 |
| CHAPTER 2: LITERATURE REVIEW | 5 |
| 2.1 Risk – Return Tradeoff Theory..... | 5 |
| 2.2 Literature Review..... | 6 |
| 2.2.1 Asset Allocation And Returns..... | 9 |
| 2.2.2 Stock Market And Bond Market Volatility | 10 |
| CHAPTER 3: RESEARCH METHODOLOGY..... | 14 |
| 3.1 Basic Data Description | 14 |
| 3.2 Historical Data..... | 17 |
| 3.3 Description Of Bond And Stock Returns..... | 18 |
| 3.4 Description Of Returns Volatility..... | 21 |
| 3.5 Research Hypotheses | 25 |
| CHAPTER 4: RESEARCH ANALYSIS AND RESULTS..... | 25 |
| 4.1 Bond And Stock Market Volatility Analysis..... | 26 |
| 4.1.1 Description of Volatility Of Returns..... | 26 |
| 4.1.2 F-Tests For Significant Changes In Stock And Bond Volatility..... | 30 |
| 4.1.3 Results Of Volatility Analysis..... | 32 |
| 4.2 Relative Volatility Analysis..... | 32 |
| 4.2.1 12MMA SDR..... | 32 |
| 4.2.1.1 F-Tests For Significant Changes In MGS And PDS SDR | 36 |
| 4.2.1.2 Results Of SDR Analysis..... | 37 |
| 4.2.2 12 MMA Regression Coefficient (Beta) And Correlation Analysis..... | 37 |
| 4.2.2.1 12MMA Beta And Correlation..... | 37 |
| 4.2.2.2 12MMA Beta And SDR For MGS and PDS | 40 |

| | |
|---|-----------|
| 4.2.3 Results Of Relative Volatility Analysis..... | 43 |
| CHAPTER 5: CONCLUSIONS AND IMPLICATIONS..... | 44 |
| 5.1 Summary | 46 |
| 5.2 Discussion Of Results..... | 56 |
| 5.3 Implications | 48 |
| 5.4 Limitation Of Study | 50 |
| 5.5 Suggestions For Further Studies | 50 |
| BIBLIOGRAPHY | |
| APPENDICES | |

LIST OF FIGURES AND TABLES

Page

FIGURES

| | |
|---|----|
| Figure 3.1: Stock and Bond Market Indices..... | 17 |
| Figure 3.2: Returns For Stock And Bond Market | 19 |
| Figure 3.3: Returns Of MGS Indices..... | 20 |
| Figure 3.4: Returns Of Stocks And Bonds | 21 |
| Figure 4.1: 12MMA SD For Stocks And Bond Market | 26 |
| Figure 4.2: 12MMA SD For (i) Stocks, (ii) MGS And (iii) PDS..... | 27 |
| Figure 4.3: Discrete 12M SD (Returns) For Stocks And Bonds..... | 30 |
| Figure 4.4: 12MMA SDR For Bonds..... | 33 |
| Figure 4.5: SDR And Least Square Trend Line For Stocks And Bonds..... | 34 |
| Figure 4.6: 12MMA Beta And Correlation For Bonds..... | 38 |
| Figure 4.7: 12MMA Beta For Bonds | 39 |
| Figure 4.8: 12MMA Beta And SDR For Bonds | 41 |

TABLES

| | |
|---|------------|
| Table 3.1: Historical Records For Stocks And Bonds Indices | Appendices |
| Table 3.2: Stock And Bond Market Returns | Appendices |
| Table 3.3: Summary For The Stock And Bond Market Indices..... | 72 |
| Table 4.1: 12-Month Moving Average Standard Deviation (12MMA SD) | Appendices |
| Table 4.2: Summary For 12MMA SD..... | 30 |
| Table 4.3: F-Test For Stocks And Bonds Volatility Of Returns | Appendices |
| Table 4.4: Summary Of F-Tests On MGS And PDS Returns..... | 31 |
| Table 4.5: Relative Volatility Analysis 12MMA SDR..... | Appendices |
| Table 4.6: Summary Of 12MMA SDR For MGS And PDS..... | 36 |
| Table 4.7: F-Test For Significant Changes In SDR..... | Appendices |
| Table 4.8: Summary Of F-Tests On MGS And PDS SDR..... | 36 |

Table 4.9: 12MMA Beta And Correlation For MGS And PDS Appendices

Table 4.10: Summary Of Historical & SDR For Bond Market.....43