e. Suppose you are managing a stock portfolio consisting a mixture of high and low beta

stocks. You have information which leads you to believe that the stock market is likely to

be very strong in the immediate future, i.e., you are confident that the market is about to

rise sharply. If you want to take advantage of the situation to maximize the value of your

portfolio, what would you do now? Explain your answer.





1. What would be the effect if a company increases its debt ratio, but leaves its operating

 income (EBIT) and total assets unchanged?