R-Square Segmentation
A New Weapon For Investing?

Omar Montalvo Rodríguez

This paper examines the predictive power of beta through the construction of stock portfolios segmented across and within market indexes, using the R-square statistic as the standard for segmentation. The researcher proposes that the predictive value of beta will be improved if portfolios are built with stocks for which their betas yield the highest R-square statistic for a specific market index. Therefore, the difference in the estimation error between the expected return and the real return for segmented portfolios should be less than for those not selected through the segmentation process.

As expected, the average estimation error for segmented portfolios was lower than the average of those not segmented. However, the standard deviation of the results for the segmented portfolios was higher. Therefore, there was no conclusive evidence to state that this investment method was successful, hence, the efficient market hypothesis escaped unscathed in this process.

The Use of the Arbitrage Pricing Theory for Determination of Industry-Specific Risk-Premium

Fernando Rodríguez Sifontes

Asset valuation is one of the most important problems in the business world. The refinement of modern asset pricing theory puts at our disposition new tools to perform this important task. This study focuses on one of the most appealing modern theories of asset pricing, The Arbitrage Pricing Theory (APT). This theory postulates a relationship between the return of an asset or group of assets and the movement of certain economic factors such as Gross National Product and interest rates.

Most of the methods available to value assets employ the concept of time value of money where economic gains produced by the asset are discounted throughout the life period of the investment. These economic gains could be Free Cash Flow generated by the asset or expected net earnings from the asset depending on the valuation method employed. The discount factor used also depends on the method, but it is always related to the time value of money expressed as some sort of interest rate. This discount factor also varies depending if the asset is a foreign or a domestic one. This study concentrates on using the APT as a tool to determine the appropriate discount factor for a specific industry. This "industry-specific risk premium" was also calculated in the international context. The purpose of this study is the testing of the APT as a valuable tool to determine industry specific risk in a global environment. If the APT proves to be useful in this context, it will provide an interesting alternative to the "country risk" approach used in the valuation of assets in the global environment.

Relationship Marketing: La Nueva Tendencia en Mercadeo y Cómo es Aplicada por los Distribuidores de Bienes de Consumo en Puerto Rico

Vanessa Nadal Arroyo

Ante el creciente número de competidores en la industria de bienes de consumo, el conseguir una distribución adecuada, entre los muchos aspectos necesarios para el mercadeo exitoso de un producto, resulta cada vez más complicado y difícil. Relationship Marketing es una nueva tendencia en mercadeo que se define como el esfuerzo integrado para identificar, mantener y construir una unión individual con cada cliente. Esta estrategia ofrece una alternativa para facilitar el mercadeo, no sólo en la industria de servicio donde tuvo sus comienzos, sino en todo tipo de industria, incluyendo la industria de distribuidores de bienes de consumo, donde comienza a desarrollarse.