USING THE CAPM MODEL TO ESTIMATE THE PROFITABILITY OF A FINANCIAL INSTRUMENT PORTFOLIO

Author **Mădălina - Gabriela Anghel**
N/A
Author **Liliana (Dincă) Paschia**
N/A

Abstract:

The main objective of equity investors is the capitalized value of future benefits. In this regard, most of the time, these investors prefer to build portfolios of financial instruments. This requires the creation and permanent adaptation to the demands of the modern economy of models designed to ensure a much easier management of these portfolios of financial instruments. CAPM model provides a relatively accurate prediction of the relationship that exists between a financial risk and the expected return (yield). The usefulness of the model lies in the fact that, on the one hand it offers the possibility of comparison of different variants of placement in the financial markets and, on the other hand, justifies the estimate on the scientific basis of the expected future value of profits generated by a financial instrument. The core of the CAPM model is represented by the beta coefficient which measures the sensitivity of the financial instrument in relation to the systematic risk.

Keywords: *CAPM model, the systematic risk, specific risk, beta volatility coefficient, anticipated profitability*

JEL codes:: *G11, G17*