Student name

Institutional affiliation

Course number and name

Instructor’s name

**Response**

Picking on covariance specifically, it is the measures of association between two random variables with the metric values such as how what next or how much changes in the variables (Cherewyk, 2018). Variance simply measures variance between variables. Covariance is also measured in units making it unique from the correlation coefficient. To find the units, the units of the two variables are multiplied, and the answer can either be positive or negative variance. A positive answer shows the variables are moving together in a single direction, while a negative answer indicates the variables are inversely related and moving in inverse directions.

Covariance is actually applicable used on the portfolio in fiancé where the portfolio is applied in diversification (Cherewyk, 2018).

Formula for finding covariance is Cov (X,Y) = Σ E((X – μ) E(Y – ν)) / n-1

**Reference**

Cherewyk, P. (2018). Calculating Covariance for Stocks.