International Finance Discussion Papers: Firm Characteristics and Empirical Factor Models: A Data-Mining Experiment (Paperback)

By Leonid Kogan, Mary Tian

Bibliogov, United States, 2013. Paperback. Book Condition: New. 246 x 189 mm. Language: English . Brand New Book ***** Print on Demand *****.A three-factor model using the standardized-unexpected-earnings and cashflow-to-price factors explains 15 well-known asset pricing anomalies. Our data-mining experiment provides a backdrop against which such claims can be evaluated. We construct three-factor linear pricing models that match return spreads associated with as many as 15 out of 27 commonly used firm characteristics over the 1971-2011 sample. We form target assets by sorting firms into ten portfolios on each of the chosen characteristics and form candidate pricing factors as long-short positions in the extreme decile portfolios. Our analysis exhausts all possible 351 three-factor models, consisting of two characteristic-based factors in addition to the market portfolio. 65 of the examined factor models match a larger fraction of the target return cross-sections than the CAPM or the Fama-French three-factor model. We find that the relative performance of the complete set of three-factor models is highly sensitive to the sample choice and the factor construction methodology. Our results highlight the challenges of evaluating empirical factor models.

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Reviews

An exceptional ebook along with the typeface employed was intriguing to see. It really is simplistic but surprises within the fifty percent of the ebook. It is extremely difficult to leave it before concluding, once you begin to read the book.
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This book is indeed gripping and interesting. It really is rally exciting throgh studying period. Its been written in an extremely easy way and is particularly merely soon after i finished reading this book through which in fact changed me, affect the way i think.
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