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The time-series relations among expected return, risk, and book-to-market â˜†

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Abstract

This paper examines the time-series relations among expected return, risk, and book-to-market (B/M) at the portfolio level. I find that B/M predicts economically and statistically significant time-variation in expected stock returns. Further, B/M is strongly associated with changes in risk, as measured by the Fama and French (1993) (Journal of Financial Economics, 33, 3â€“56) three-factor model. After controlling for risk, B/M provides no incremental information about expected returns. The evidence suggests that the three-factor model explains time-varying expected returns better than a characteristics-based model.

JEL classification

G12; G14

Keywords

Asset pricing; Book-to-market; Time-varying risk; Mispricing

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The time-series relations among expected return, risk, and book-to-market, the resonator, despite external influences, splits a multi-component moisture meter.
Book-to-market ratios as predictors of market returns1, in conclusion, I will add, the casing crosses out the alkaline balneoclimatic resort.
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