

Accepted Manuscript

On the Estimation and Testing of Predictive Panel Regressions

Hande Karabiyik, Joakim Westerlund, Paresh Narayan

PII: S1042-4431(16)30059-2
DOI: <http://dx.doi.org/10.1016/j.intfin.2016.07.003>
Reference: INTFIN 882

To appear in: *Journal of International Financial Markets, Institutions & Money*

Received Date: 29 April 2016
Accepted Date: 5 July 2016

Please cite this article as: H. Karabiyik, J. Westerlund, P. Narayan, On the Estimation and Testing of Predictive Panel Regressions, *Journal of International Financial Markets, Institutions & Money* (2016), doi: <http://dx.doi.org/10.1016/j.intfin.2016.07.003>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



ON THE ESTIMATION AND TESTING OF PREDICTIVE
PANEL REGRESSIONS *

Hande Karabiyik
Lund University

Joakim Westerlund[†]
Lund University
and
Centre for Financial Econometrics
Deakin University

Paresh Narayan
Centre for Financial Econometrics
Deakin University

July 28, 2016

Abstract

Hjalmarsson (Predicting Global Stock Returns, *Journal of Financial and Quantitative Analysis* 45, 49–80, 2010) considers an OLS-based estimator of predictive panel regressions that is claimed to be mixed normal under very general conditions. In a recent paper, Westerlund et al. (Testing for Predictability in Panels with General Predictors, unpublished manuscript, 2015) show that while consistent, the estimator is generally not mixed normal, which invalidates standard normal and chi-squared inference. The purpose of the present paper is to study the consequences of this theoretical result in small samples, which is done using both simulated and real data.

JEL Classification: C22; C23.

Keywords: Panel data; Predictive regression; Common factors; Mixed normality.

*Karabiyik and Westerlund would like to thank the Knut and Alice Wallenberg Foundation for financial support through a Wallenberg Academy Fellowship, and the Jan Wallander and Tom Hedelius Foundation for financial support under research grant number P20140112:1.

[†]Corresponding author: Department of Economics, Lund University, Box 7082, 220 07 Lund, Sweden. Telephone: +46 46 222 8997. Fax: +46 46 222 4613. E-mail address: joakim.westerlund@nek.lu.se.

Download English Version:

<https://daneshyari.com/en/article/5101063>

Download Persian Version:

<https://daneshyari.com/article/5101063>

[Daneshyari.com](https://daneshyari.com)