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# Distribution Uncertainty and Expected Stock Returns\*

Joon Chae\*\*

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## Abstract

We investigate the significance of differences of the return distribution (distribution uncertainty) in the cross-sectional pricing of stocks. Our parsimonious proxies for distribution uncertainty measure the difference of distributions between an individual stock return and the market return. We find that stocks with higher distribution uncertainty exhibit higher returns, and the difference between the returns on the portfolios with the highest and lowest distribution uncertainty is significantly positive. We investigate the robustness of our empirical results and find that the impact of distribution uncertainty persists after accounting for firm characteristics.

**Keywords:** Distribution Uncertainty; Expected Stock Returns; Differences of Return Distribution;

**JEL:** C52, D81, E21, E44, G12

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