“Do covariance risks or firm characteristics explain cross-section of stock returns?: Another perspective from the investment growth anomaly”

This paper answers two asset pricing questions that have not been directly and jointly investigated in prior studies. First, do covariance risks or firm characteristics explain cross-section of stock returns? Second, is the investment growth anomaly, as reflected by higher returns on stocks of the firms with lower growth in capital expenditures, risk-based or non-risk-based? We create the new factor (LMH) which is defined as the return difference between low and high investment growth portfolios. Using Daniel and Titman (1997) methodology, our results support the firm-characteristic explanation for cross-section of stock returns and the non-risk-based explanation for the investment growth anomaly.

Contact Information:
Dr. Robert Chi: 562-985-7166
Dr. Wikrom Prombutr: 562-985-4567

LUNCH WILL BE PROVIDED!
RSVP by October 1, 2012

To
Melinda Smith 562-985-5306