

Empirical Asset Pricing
Problem Set 8
due 12 hours before the class

Problems

1. Use the Fama-MacBeth procedure to test the Fama-French three-factor model. The data are available [here](#). Use the same first-pass regression (in other words, use constant betas over time). Include a constant term in the cross-sectional regressions. Report the mean parameters from the cross-sectional regressions and their standard errors. Also report the results of a χ^2 test that the mean errors are close to zero. (Use standard F-M statistical tests, not tests that adjust for uncertainty in estimated betas.) For details of testing see, e.g., Cochrane's textbook.