

Table 1: Parameter Values for Monte Carlo Simulations

α	γ	β	λ_0	λ_1	λ_2	δ_0	$\delta_{1,s}$	$\delta_{1,l}$	δ_1
Short-term component									
Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	-	0.027	-	-
Non-Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	0.033	-0.003	-	-
Long-term component									
Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	-	-	0.049	-
Non-Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	0.003	-	0.045	-
Both components (additive)									
Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	-	-0.005	0.054	-
Non-Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	0.008	-0.008	0.046	-
Overall conditional variance (multiplicative)									
Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	-	-	-	0.042
Non-Proportional									
0.006	0.160	0.842	0.011	0.085	0.902	0.020	-	-	0.023
Notes: This table presents the "true" parameter values I used in Monte Carlo simulations of daily market premium data. The MF2-GARCH-in-mean model is fitted $R = 1,000$ times on these simulated samples, each of size $T = 15,120$. This is repeated for the proportional and non-proportional variant of every specification. These values were chosen based on estimates from real data (<i>see Table 4 below</i>).									

Table 2: Summary Statistics - Market Premia

	mean	sd	skew	kurtosis	min	max	AC(1)
r_t	0.028	1.028	-0.487	15.564	-17.440	11.360	0.016
Notes: This table shows summary statistics for the U.S. daily market premium data. The data runs from January 1964 to April 2025. The columns present the mean, standard deviation (sd), skewness, kurtosis, minimum (min), maximum (max) and the first-order autocorrelation coefficient (AC(1)).							

Table 3: NBER Recession Periods

Start date	End date	Remarks
December 1969	November 1970	-
November 1973	March 1975	1973 oil crisis and stagflation
January 1980	July 1980	Volcker recession I
July 1981	November 1982	Volcker recession II
July 1990	March 1991	-
March 2001	November 2001	Dot-com bubble
December 2007	June 2009	Global financial crisis
February 2020	April 2020	COVID-19 pandemic
Notes: This table shows the start and end dates of recession periods defined by the U.S. National Bureau of Economic Research (NBER) which fall within the sample period on which the MF2-GARCH-in-mean model is estimated. The dummy variable used to control for periods of crisis is given the value 1 for the above periods and 0 otherwise.		

Table 5: Summary Statistics - Volatility
(Proportional Long-Term Component Specification)

	mean	min	max	AC(1)
σ_t^2	1.051	0.122	60.992	0.94736
h_t	1.186	0.474	69.731	0.98251
τ_t	0.830	0.236	3.810	0.99988

Notes: This table shows summary statistics for the conditional variance and its components as estimated by MF2-GARCH in the proportional (no intercept) long-term component specification.