Real-Time Forward-Looking Skewness over the Business Cycle

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This paper measures option-implied skewness for individual firms and the overall stock market between 1980 and 2021, giving real-time measures of conditional micro and macro skewness. There are three key results: 1. Micro skewness is significantly procyclical, while macro skewness is acyclical; 2. Micro skewness leads the business cycle and is strongly linked to credit spreads, suggesting one potential causal channel; 3. Micro skewness is significantly, and not mechanically, correlated with macro volatility, implying that there is a common shock driving them both, which is also linked to the business cycle.