

# Assignment 5

ECON M524 (FALL, 2022)

November 10, 2022

1. The sampling period is important in empirical applications. For the manager sentiment application, in class we use 144 monthly observations over the period 2003:01-2014:12. Now we consider a shorter period, 2005:01-2014:12. Run the OLS of excess return on the manager sentiment index and the first principal component (PC) of 12 macro-economic variables. Report the coefficient of the manager sentiment index and its White t-statistic. Report the coefficient estimates for the 12 macro-economic variables using this approach (with one PC).

Do these again using the first three principal components of 12 macro-economic variables.