

**Table 2**  
**Predicting dominant equity components with BE/ME ratios**

|                           | MKT            | PC1            | PC2            | PC3            | PC4            | PC5            |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Own <i>bm</i>             | 0.76<br>(1.24) | 4.32<br>(4.31) | 1.62<br>(1.81) | 1.80<br>(2.01) | 4.86<br>(3.74) | 1.56<br>(0.78) |
| bias                      | 0.68           | 0.36           | 0.16           | 0.18           | 0.10           | 0.08           |
| <i>p</i> -value           | .35            | .00            | .10            | .07            | .00            | .48            |
| $R^2$                     | 0.29           | 3.96           | 0.74           | 0.56           | 3.59           | 0.50           |
| OOS $R^2$                 | 1.00           | 4.82           | 0.97           | 0.47           | 3.52           | 0.55           |
| OOS $R^2$ critical values |                |                |                |                |                |                |
| 90th                      | 0.44           | 0.49           | 0.29           | 0.21           | 0.71           | 0.59           |
| 95th                      | 0.68           | 0.97           | 0.48           | 0.37           | 1.19           | 0.96           |
| 99th                      | 1.35           | 1.73           | 0.87           | 0.84           | 1.95           | 1.71           |