

Table 1

		Mean	Std	corr(g_c,g.)	AC(4)	AC(8)
1	full sample					
2	g_c	0.0087	0.0050		-0.0284	-0.1342
3	g_d	0.0049	0.0171	0.0988	0.0072	-0.0232
4	g_e	0.0020	0.0766	0.1074	-0.0837	-0.0683
5	r_m	0.0214	0.0777		-0.0246	-0.0333
6	(p-d)	4.7082	0.3020		0.7468	0.5622
7	(p-e)	16.0950	0.3521		0.7181	0.5349
8						
9	subsample					
10	g_c	0.0078	0.0045		-9.9443e-04	-0.2090
11	g_d	0.0037	0.0144	0.1019	-0.1124	0.1159
12	g_e	0.0060	0.0710	0.2738	-0.0585	-0.1450
13	r_m	0.0180	0.0820		-0.0139	-0.0380
14	(p-d)	4.7142	0.2727		0.6734	0.4702
15	(p-e)	16.1851	0.2654		0.6809	0.4598

Table 2

		const	A1	w0	w1	w2		AC(1)	AC(4)	AC(8)
1	AR(1) estimates									
2										
3	Panel A: Consumption growth									
4	Estimate	0.0070	0.1965				Estimate	0.2069	0.0647	-0.0053
5	S.E.	0.0012	0.1299				Q-stat	8.6939	18.7024	31.5705
6										
7	Panel B: Market return									
8	Estimate	0.0197	0.0777				Estimate	0.1146	0.0565	-0.0808
9	S.E.	0.0056	0.0678				Q-stat	2.6648	9.5471	16.1729
10										
11	AR(1)-GARCH(1,1) estimates									
12										
13	Panel C: Consumption									
14	Estimate	0.0070	0.1965	1.4188e-05	0.2936	0.1217				
15	S.E.	8.4177e-04	0.0859	4.3355e-06	0.1148	0.2468				
16										
17	Panel D: Market return									
18	Estimate	0.0193	0.1016	0.0020	0.1432	0.5337				
19	S.E.	0.0065	0.0937	0.0014	0.0823	0.2756				

Table 3

	J	b	t-stat	R^2	t(2.5%)	t(5%)	R^2(95%)		b	t-stat	R^2	t(2.5%)	t(5%)	R^2(95%)
1	Panel A: price-dividend ratio													
2														
3		1	-0.0562	-2.8388	0.0458	-2.2783	-1.8592	0.0250	-0.0483	-2.1694	0.0385	-2.3446	-1.8592	0.0253
4		4	-0.2422	-3.7569	0.1822	-2.6413	-2.1910	0.0839	-0.1121	-1.9962	0.0412	-2.7229	-2.1910	0.0909
5		8	-0.3459	-3.4005	0.2632	-2.9775	-2.4705	0.1493	-0.1569	-1.7114	0.0532	-3.0399	-2.4705	0.1569
6	Panel B: price-earnings ratio													
7		1	-0.0553	-2.5181	0.0347	-2.3489	-1.9660	0.0262	-0.0205	-0.7951	0.0054	-2.2890	-1.8984	0.0251
8		4	-0.2711	-3.8740	0.1912	-2.6697	-2.2091	0.0852	-0.0053	-0.0809	7.8061e-05	-2.6282	-2.2103	0.0879
9		8	-0.4163	-4.6420	0.3307	-2.9563	-2.4316	0.1482	-0.0139	-0.1348	3.6115e-04	-2.8160	-2.3501	0.1539

Figure 1

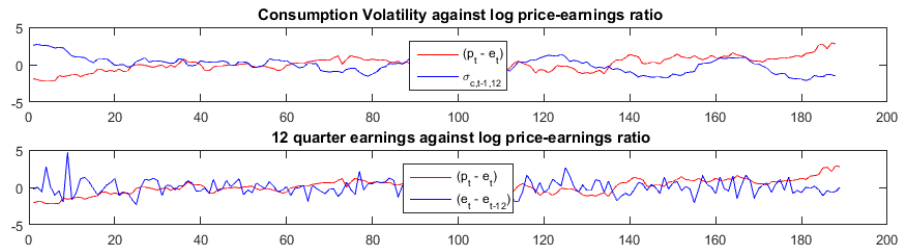


Table 4

	J	a	t-stat	R ²	t(2.5%)	t(5%)	R ² (95%)		a	t-stat	R ²	t(2.5%)	t(5%)	R ² (95%)
1	Panel A: price-dividend ratio													
2	1	-0.0035	-3.4970	0.0977	-2.2651	-1.9285	0.0323		-0.0104	-0.8338	0.0037	-2.4187	-2.0237	0.0318
3	4	-0.0031	-2.4056	0.0686	-2.1999	-1.8513	0.0334		0.0113	0.8402	0.0038	-2.3850	-1.9134	0.0329
4	8	-0.0028	-2.0954	0.0533	-2.3269	-1.9125	0.0331		0.0284	1.5597	0.0209	-2.4460	-2.0042	0.0341
5														
6	Panel B: price-earnings ratio													
7	1	-0.0026	-2.9664	0.0711	-2.3782	-1.9798	0.0342		0.0081	0.8174	0.0031	-2.3935	-2.0376	0.0311
8	4	-0.0027	-2.2342	0.0731	-2.2811	-1.8862	0.0339		0.0166	1.6297	0.0117	-2.3762	-2.0254	0.0328
9	8	-0.0028	-2.2454	0.0814	-2.4873	-2.0526	0.0349		0.0112	0.8850	0.0050	-2.4074	-2.0034	0.0334

Table 5

	J	a	t-stat	R ²	t(2.5%)	t(5%)	R ² (95%)	R ² (97.25%)
1	Panel A: Predicting price-earnings ratio							
2	$p_t - e_t = a_0 + a_1 \log(\sigma_{c,t-1}^2) + \epsilon_{p,t}$							
3	a1	-0.2727	-3.2163	0.0850	-11.0272	-7.1931	0.1520	0.2085
4								
5	$p_t - e_t = a_0 + a_1(p_{t-1} - e_{t-1}) + a_2 \log(\sigma_{c,t-1}^2) + \epsilon_{p,t}$							
6	a2	-0.0594	-3.3655	0.9241	-4.5240	-3.3302	0.9675	0.9706
7	a1	0.9320	44.2795		42.4293	42.9717		
8								
9	Panel B: Predicting volatility							
10	$\log(\sigma_{c,t}^2) = a_0 + a_1(p_{t-1} - e_{t-1}) + \epsilon_{\sigma,t}$							
11	a1	-0.2882	-2.4549	0.0658	-7.9663	-5.1965	0.1520	0.2085
12								
13	$\log(\sigma_{c,t}^2) = a_0 + a_1(p_{t-1} - e_{t-1}) + a_2 \log(\sigma_{c,t-1}^2) + \epsilon_{\sigma,t}$							
14	a1	-0.1974	-2.7337	0.1687	-1.1058	-0.8140	0.9675	0.9706
15	a2	0.3375	3.2880		8.7020	8.8132		

Table 6

	J	beta_J	t-stat	R ²	beta_J	t-stat	R ²	beta_J	t-stat	R ²
1	Panel A: Price-dividend ratio									
2	4	-0.0173	-0.2356	9.2367e-04	-0.0019	-0.0664	1.2077e-04	-0.1602	-1.7913	0.0816
3	8	-0.0327	-0.2187	0.0017	-0.0212	-0.4729	0.0053	-0.3001	-1.5861	0.1392
4	12	-0.0404	-0.2283	0.0020	-0.0486	-0.7388	0.0164	-0.4247	-1.8634	0.1981
5	16	-0.0104	-0.0657	1.1270e-04	-0.0905	-0.9653	0.0405	-0.5577	-2.2542	0.2585
6										
7	Panel B: Price-earnings ratio									
8	4	0.0908	1.7899	0.0359	-0.0425	-1.6678	0.0898	-0.1238	-2.4154	0.0688
9	8	0.1620	1.9895	0.0627	-0.0782	-1.8688	0.1101	-0.2249	-2.3233	0.1207
10	12	0.1934	1.8459	0.0736	-0.0947	-2.0474	0.1016	-0.2721	-1.8960	0.1332
11	16	0.2442	1.7943	0.1059	-0.1183	-2.4435	0.1185	-0.3538	-1.7543	0.1781

Table 7

	J	beta_J	t-stat	R^2	t(90%)	t(95%)	t(97.5%)	R^2(95%)	
1	Earning growth rate : Price-earnings ratio								
2		4	0.0908	1.7899	0.0359	1.5349	2.0173	2.5601	0.0776
3		8	0.1620	1.9895	0.0627	1.6746	2.3207	2.9581	0.1452
4		12	0.1934	1.8459	0.0736	1.8799	2.6371	3.4033	0.1989
5		16	0.2442	1.7943	0.1059	2.1282	2.9681	3.8850	0.2426