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Empirical

Summary statistics

	Mean	Std	corr(g_c,g.)	AC(4)	AC(8)
g_c	0.0087	0.0050		-0.0244	-0.1237
g_d	0.0053	0.0202	0.1019	-0.0083	0.0194
g_e	0.0019	0.0766	0.1059	-0.0844	-0.0772
r_m	0.0216	0.0777		-0.0250	-0.0285
(p-d)	4.7083	0.3018		0.7467	0.5620
(p-e)	16.0950	0.3521		0.7181	0.5349

	Mean	Std	corr(g_c,g.)	AC(4)	AC(8)
g_c	0.0075	0.0043		-0.0244	-0.1237
g_d	0.0045	0.0144	0.1728	-0.0083	0.0194
g_e	0.0034	0.0741	0.2481	-0.0844	-0.0772
r_m	0.0193	0.0833		-0.0250	-0.0285
(p-d)	4.7078	0.2825		0.7467	0.5620
(p-e)	16.1848	0.2781		0.7181	0.5349

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	0.1956				Estimate	-0.0271	-0.0363	-0.1481
5	S.E.	5.2601e-04	0.0531				Q-stat	0.1502	5.0955	12.1843
6										
7	Panel B: Market return									
8	Estimate	0.0200	0.0780				Estimate	0.0058	-0.0251	-0.0258
9	S.E.	0.0062	0.0649				Q-stat	0.0069	1.4325	5.2997
10										
11	AR(1)-GARCH(1,1) estimates									
12										
13	Panel C: Consumption									
14	Estimate	0.0070	0.1945	1.3916e-05	0.2973	0.1279				
15	S.E.	8.3130e-04	0.0842	4.1452e-06	0.1153	0.2375				
16										
17	Panel D: Market return									
18	Estimate	0.0194	0.1011	0.0020	0.1412	0.5253				
19	S.E.	0.0065	0.0936	0.0014	0.0815	0.2815				

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	1	-0.0607	-3.2710	0.0465					-0.0555	-2.7789	0.0327			
3	4	-0.2520	-6.8447	0.1896					-0.1201	-3.0898	0.0418			
4	8	-0.3501	-8.2710	0.2599					-0.1658	-3.4387	0.0534			
5														
6	Panel B: price-earnings ratio													
7	1	-0.0559	-2.6057	0.0283					-0.0209	-0.8989	-9.6543e-04			
8	4	-0.2594	-6.3092	0.1653					-0.0093	-0.2117	-0.0049			
9	8	-0.3902	-8.7852	0.2841					-0.0126	-0.2380	-0.0049			

Figure 1

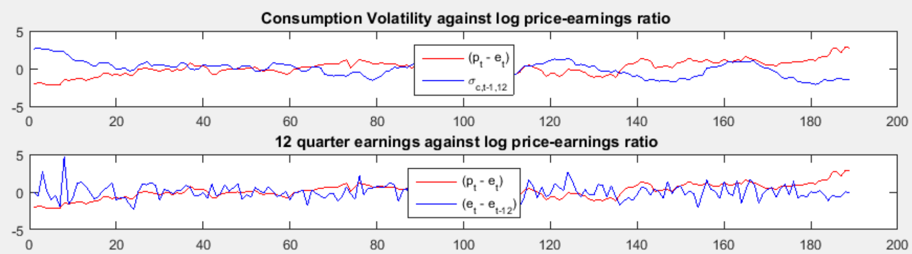

table 4

	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	-25.1690	-4.1869	0.0767					-0.1279	-0.3113	-0.0046			
3	4	-23.8694	-4.0846	0.0741					0.3885	0.9933	-6.8020e-05			
4	8	-17.9364	-2.9332	0.0381					0.4712	1.2867	0.0034			
5														
6	Panel B: price-earnings ratio													
7	1	-30.7418	-4.3787	0.0837					0.5532	1.1522	0.0016			
8	4	-30.2615	-4.3805	0.0849					0.5453	1.1736	0.0019			
9	8	-23.9086	-3.1564	0.0446					0.1344	0.2941	-0.0048			

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 = a0 + a1*log(sigma_c_t-1^2) + eps_t							
3	a1	-0.2397	-3.9013	0.0667				
4								
5	p_t - e_t = a0 + a1*(p_t-1 - e_t-1)+ a2*log(sigma_c_t-1^2) + eps_t							
6	a2	-9.0659e-04	-0.0482	0.9191				
7	a1	15.1301	45.6952					
8								
9	Panel B: Predicting volatility							
10	log(sigma_c_t^2) = a0 + a1*(p_t-1 - e_t-1) + eps_t							
11	a1	-5.4044	-4.5394	0.0897				
12								
13	log(sigma_c_t^2) = a0 + a1*(p_t-1 - e_t-1) + a2*log(sigma_c_t-1^2) + eps_t							
14	a1	-3.7741	-3.2263	0.1888				
15	a2	0.3339	5.0204					

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	-0.0499	-1.2306	0.0026		3.1123e-04	0.0258	-0.0051		-0.1500	-3.8725	0.0667
3	8	-0.0766	-1.3359	0.0041		-0.0187	-0.9032	-9.6047e-04		-0.2531	-4.5745	0.0940
4	12	-0.0702	-1.0544	5.9447e-04		-0.0492	-1.7883	0.0116		-0.3732	-5.7895	0.1475
5	16	-0.0178	-0.2450	-0.0051		-0.0909	-2.7833	0.0354		-0.5021	-6.8984	0.2020
6												
7	Panel B: Price-earnings ratio											
8	4	0.0655	1.9311	0.0137		-0.0379	-3.8829	0.0670		-0.1216	-3.7217	0.0615
9	8	0.1096	2.4018	0.0242		-0.0647	-4.0386	0.0739		-0.1930	-4.3125	0.0840
10	12	0.1555	3.0538	0.0424		-0.0839	-4.0392	0.0753		-0.2480	-4.8073	0.1052
11	16	0.2244	4.2376	0.0844		-0.1059	-4.3692	0.0895		-0.3239	-5.6186	0.1425

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