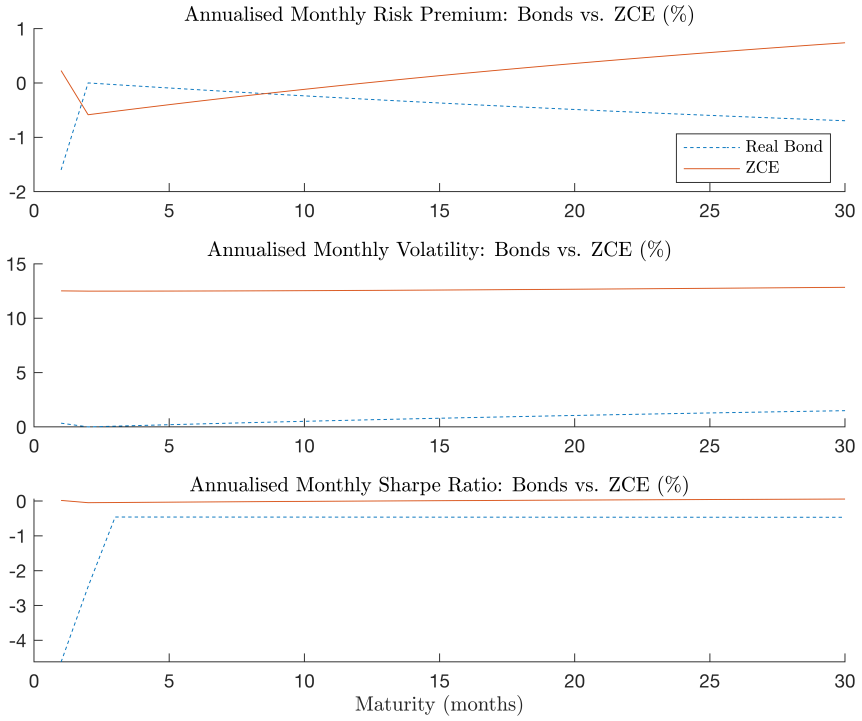
1 Results: ZCE vs Real Bonds

Table 1: This table provides the mean, the standard deviation and the Sharpe Ratio of (log) risk premia on *real* bonds (Panel A), and the zero-coupon equity (Panel B) for different maturities. The data has beenobtained under a simulation of our model with 100000 observations.

Panel A						
Maturities	5	10	15	20	25	30
$\mathbb{E}\left[r_{n,t}^{b,ex}\right]$	-0.093	-0.238	-0.369	-0.488	-0.597	-0.695
$\sigma\left(r_{n,t}^{b,ex}\right)$	0.203	0.516	0.798	1.054	1.284	1.493
$\mathbb{E}\left[r_{n,t}^{b,ex}\right]/\sigma\left(r_{n,t}^{b,ex}\right)$	-0.459	-0.461	-0.462	-0.464	-0.465	-0.466
Panel B						
Maturities	5	10	15	20	25	30
$\mathbb{E}\left[r_{n,t}^{zce,ex}\right]$	-0.400	-0.118	0.134	0.358	0.559	0.738
$\sigma\left(r_{n,t}^{zce,ex}\right)$	12.493	12.529	12.588	12.663	12.747	12.838
$\mathbb{E}\left[r_{n,t}^{zce,ex}\right]/\sigma\left(r_{n,t}^{zce,ex}\right)$	-0.032	-0.009	0.011	0.028	0.044	0.058

Figure 1: The top panel shows the annualised (log) risk-premia on real bonds and zero-coupon equity, $\mathbb{E}\left[r_{n,t+1}^{b}-r_{t+1}^{f}\right]$, and $\mathbb{E}\left[r_{n,t+1}^{zce}-r_{t+1}^{f}\right]$, respectively, as a function of its maturity, N, in months. The middle panel shows its volatility, whilst the bottom one shows the Sharpe Ratio.

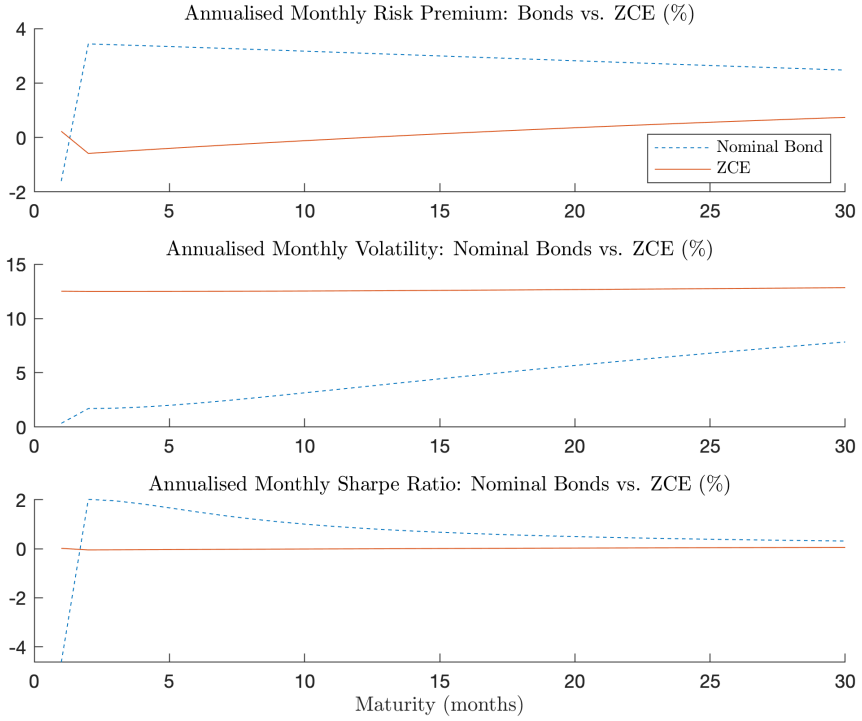


2 Results: ZCE vs Nominal Bonds

Table 2: This table provides the mean, the standard deviation and the Sharpe Ratio of (log) risk premia on *nominal* bonds (Panel A), and the zero-coupon equity (Panel B) for different maturities. The data has beenobtained under a simulation of our model with 100000 observations.

Panel A						
Maturities	5	10	15	20	25	30
$\mathbb{E}\left[r_{n,t}^{nb,ex}\right]$	3.341	3.171	2.995	2.819	2.645	2.475
$\sigma\left(r_{n,t}^{b,ex}\right)$	2.002	3.156	4.443	5.671	6.804	7.836
$\mathbb{E}\left[r_{n,t}^{nb,ex}\right]/\sigma\left(r_{n,t}^{nb,ex}\right)$	1.668	1.005	0.674	0.497	0.389	0.316
Panel B						
Maturities	5	10	15	20	25	30
$\mathbb{E}\left[r_{n,t}^{zce,ex}\right]$	-0.400	-0.118	0.134	0.358	0.559	0.738
$\sigma\left(r_{n,t}^{zce,ex}\right)$	12.493	12.529	12.588	12.663	12.747	12.838
$\mathbb{E}\left[r_{n,t}^{zce,ex}\right]/\sigma\left(r_{n,t}^{zce,ex}\right)$	-0.032	-0.009	0.011	0.028	0.044	0.058

Figure 2: The top panel shows the annualised (log) risk-premia on nominal bonds and zero-coupon equity, $\mathbb{E}\left[r_{n,t+1}^{nb} - r_{t+1}^{f}\right]$, and $\mathbb{E}\left[r_{n,t+1}^{zce} - r_{t+1}^{f}\right]$, respectively, as a function of its maturity, N, in months. The middle panel shows its volatility, whilst the bottom one shows the Sharpe Ratio.



3 Results: Real vs Nominal Bonds

Figure 3: The top panel shows the annualised (log) risk-premia on real and nominal bonds, $\mathbb{E}\left[r^{b}_{n,t+1} - r^{f}_{t+1}\right]$, and $\mathbb{E}\left[r^{nb}_{n,t+1} - r^{f}_{t+1}\right]$, respectively, as a function of its maturity, N, in months. The middle panel shows its volatility, whilst the bottom one shows the Sharpe Ratio.