

Propositions attached to the thesis

Essays in Empirical Asset Pricing

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I

Prices of risk vary with investment horizon. (Chapter 2)

II

Estimates of the cost of equity capital are very sensitive to the choice of asset pricing model.
(Chapter 3)

III

When the cost of equity capital is relatively imprecisely estimated, its use in capital budgeting and valuation is limited because it is not informative about future returns. (Chapter 3)

IV

Including more risk factors that are priced in-sample into an asset pricing model does not necessarily lead to better out-of-sample stock return forecasts. (Chapter 3)

V

Firms differ greatly in the extent to which their stock prices are driven by cash flow news and discount rate news. (Chapter 4)

VI

Although many asset pricing models are able to explain portfolio returns, they usually have great difficulty in pricing individual stocks.

VII

Investors and financial managers should evaluate the cash flow and discount rate news components of stock price variation separately for making investment and corporate financing decisions.

VIII

Producing good empirical finance research is hard, if not impossible, without great programming skills.

IX

Replication studies are highly undervalued.

X

To succeed as an academic one needs to have intellect, luck, and selling skills.

XI

Great research questions are hard to find, while great results are hard to believe.