

Unveiling the Black Swan of the Inflation-Adjusted Real Excess Returns-Risk Nexus: Evidence From Pakistan Stock Exchange

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Abstract : The purpose of this study is to investigate risk and real excess portfolio returns using inflation adjusted risk-free rates, a measuring technique that focuses on the momentum augmented Fama-French six-factor model and use monthly data from 1994 to 2022. With the exception of profitability, the data show that market, size, value, momentum, and investment factors are all strongly associated to excess portfolio stock returns using ordinary least square regression technique. According to the Gibbons, Ross, and Shanken test, the momentum augmented Fama-French six-factor model outperforms the market. This technique discovery may be utilised by academics and professionals to acquire an in-depth knowledge of the Pakistan Stock Exchange across a broad stock pattern for investing decisions and portfolio construction.

Keywords : real excess portfolio returns, momentum augmented fama & french five-factor model, GRS-test, pakistan stock exchange

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