

Temporal Fixed Effects: The Macroeconomic Implications on Industry Return

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Abstract : In this study we analyse the impact of a number of major macroeconomic variables on industry-specific excess rates of return. In later specifications, we include time and recession fixed effects, to potentially capture time-specific trends that may have been changing over our panel. We have a number of results that bear mentioning. Seasonal and temporal factors found to have very large role in sector-specific excess returns. Increases in M1(money supply) decreases bank, insurance, real estate, and telecommunications, while increases industrial and transportation excess returns. The results indicate that the market return increases every sector-specific rate of return. The 2007 to 2009 recession significantly reduced excess returns in the bank, real estate, and transportation sectors.

Keywords : macroeconomic factors, industry returns, fixed effects, temporal factors

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