

Tail Risk and Asset Prices

[Get access >](#)

Bryan Kelly, Hao Jiang

The Review of Financial Studies, Volume 27, Issue 10, October 2014, Pages 2841–2871, <https://doi.org/10.1093/rfs/hhu039>

Published: 16 June 2014

Abstract

We propose a new measure of time-varying tail risk that is directly estimable from the cross-section of returns. We exploit firm-level price crashes every month to identify common fluctuations in tail risk among individual stocks. Our tail measure is significantly correlated with tail risk measures extracted from S&P 500 index options and negatively predicts real economic activity. We show that tail risk has strong predictive power for aggregate market returns. Cross-sectionally, stocks with high loadings on past tail risk earn an annual three-factor alpha 5.4% higher than stocks with low tail risk loadings. We explore potential mechanisms giving rise to these asset pricing facts.

Published by Oxford University Press on behalf of The Society for Financial Studies 2014. This work is written by US Government employees and is in the public domain in the US.

Issue Section: [Articles](#)

Collection: [SFS Journals](#)

You do not currently have access to this article.

Sign in


 [Get help with access](#)

Personal account

- Sign in with email/username & password
- Get email alerts
- Save searches
- Purchase content

Institutional access

 [Sign in through your institution](#)

 [Sign in through your institution](#) >

- [Activate your purchase/trial code](#)
- [Add your ORCID iD](#)

[Sign in >](#)

[Register](#)

[Sign in with a library card](#)

[Sign in with username/password](#)

[Recommend to your librarian](#)

Institutional account management

[Sign in as administrator](#)

Purchase

[Subscription prices and ordering for this journal](#)

[Purchasing options for books and journals across Oxford Academic](#)

Short-term Access

To purchase short-term access, please sign in to your personal account above.

Don't already have a personal account? [Register](#)

Tail Risk and Asset Prices - 24 Hours access

EUR €53.00

GBP £44.00

USD \$58.00

Rental



This article is also available for rental through DeepDyve.