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An international test of the Fed model

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Notes

- 1. It should be stressed that this model is neither endorsed nor discussed by the Federal Reserve.
- 2. Note that W.T. Ziemba already discussed such a relative valuation model for Japan in the early 1990s in his book with S.L. Schwartz *Invest Japan: The Structure, Performance and Opportunities of Japan's Stock, Bond and Fund Markets* (Probus Publishing Company, Chicago).

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Additional information

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Table a4 Forecasting Switzerland's real stock returns of different horizons

 Table a5 Forecasting Sweden's real OMX Stockholm stock returns of different horizons

First, in terms of the first or second form of regression, forecasting power should

translate into a high R^2 value and a positive coefficient of the explanatory variable,

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pattern is given by poor results with one-year real returns in the modern period (or whichever closest period), and by considering dividend yields.

Germany

See <u>Table A1</u>.

France

See <u>Table A2</u>.

Belgium

See <u>Table A3</u>.

Switzerland

See Table 44

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Keywords

<u>stock prices</u>	<u>earnings</u>	long-run stock market valuation	<u>interest rates</u>	inflation

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