

Size and book to market effects and the Fama French three factor asset pricing model: evidence from the Australian stockmarket

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Abstract

The present study adds to the sparse published Australian literature on the size effect, the book to market (BM) effect and the ability of the Fama French three factor model to account for these effects and to improve on the asset pricing ability of the Capital Asset Pricing Model (CAPM). The present study extends the 1981–1991 period examined by Halliwell, Heaney and Sawicki (1999) a further 10 years to 2000 and addresses several limitations and findings of that research. In contrast to Halliwell, Heaney and Sawicki the current study finds the three factor model provides significantly improved explanatory power over the CAPM, and evidence that the BM factor plays a role in asset pricing.

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