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# Spanish stock market sensitivity to real interest and inflation rates: an extension of the Stone two-factor model with factors of the Fama and French three-factor model

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## Notes

<sup>1</sup> To avoid the possible existence of multicollinearity between the explanatory variables, it is usually used some orthogonalization procedure. Following Lynge and Zumwalt ([1980](#)), Flannery and James ([1984](#)), Sweeney (1998) and Fraser et al . ([2002](#)), the market return has been regressed on a constant and the series of real interest and inflation rates using OLS (ordinary least squares) estimation. Thus, the effect of each factor is isolated and the movement that remains is captured by the residuals.

<sup>2</sup> I adjust stock prices by splits.

<sup>3</sup> I take into account that the last day of the month for which I have information about prices must not be previous than seven days before to the last calendar day of the month.

<sup>4</sup> These models, in contrast to structural models, do not need additional information for doing forecasts, because they use lagged inflation values. I have repeated this procedure until the end of sample, with one-step-ahead forecast, obtaining the expected component of inflation rate

<sup>5</sup> Unit root tests are consistent with short-run equilibrium

<sup>6</sup> I have used the early sample.

<sup>7</sup> Unit root tests are consistent with short-run equilibrium

<sup>8</sup> This regression shows a significant and energy'



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