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Estimating mean-standard deviation ratios of financial data

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Abstract

This article treats the problem of linking the relation between excess return and risk of financial assets when the returns follow a factor structure. The authors propose three different estimators and their consistencies are established in cases when the number of assets in the cross-section (n) and the number of observations over time (T) are of comparable size. An empirical investigation is conducted on the Stockholm stock exchange market where the mean-standard deviation ratio is calculated for small- mid- and large cap segments, respectively.

Keywords:

return-risk ratio | increasing dimension asymptotics | coefficient of variation | Arbitrage Pricing Theory model

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