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Applied Financial Economics >

Volume 14, 2004 - Issue 3

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Skewness in the conditional distribution of daily equity returns

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L Cite this article **I** https://doi.org/10.1080/0960310042000187379



specification, the conditional distribution is negatively skewed for all six series. However, for three of these series – namely the US, Japan and the World index – this skewness can be explained by leverage effects, which are captured by the EGARCH model. For the remaining three series – the UK, Canada and Germany – the skewness in the conditional distribution of returns remains even after allowing for leverage effects.

Notes

¹ See also Liu and Brorsen (<u>1995</u>), Mittnik et al. (<u>1997</u>, <u>1998a,b</u>) and Mittnik and Rachev (<u>2000</u>).

 2 The focus of Hansen (<u>1994</u>) is modelling time variation in the kurtosis and skewness of returns, but he also estimates models that have constant skewness and kurtosis.

³ To facilitate statistical inference, the table reports the transformed skewness parameter and its standard error. The true skewness parameter can be retrieved by inverting Equation 10.

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