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Skewness in the conditional distribution of daily equity returns

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Abstract

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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 ([1995](#)), Mittnik et al. ([1997](#), [1998a,b](#)) and Mittnik and Rachev ([2000](#)).

[2] The focus of Hansen ([1994](#)) 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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