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Forecasting the weekly time-varying beta of UK firms: GARCH models *vs*. Kalman filter method

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This pap
Autoregr man filter
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models.

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Notes

Brooks, Faff, and McKenzie (1998) provide several citations of papers that apply these different methods to estimate the time-varying beta.

The leverage effect is due to the reduction in the equity value, which would raise the debt-to-equity ratio, hence raising the riskiness of the firm as a result of an increase in future volatility. Glosten, Jagannathan, and Runkle (1993) provide an alternative explanation for the negative effect; if most of the fluctuations in stock prices are caused by fluctuations in expected future cash flows, and the riskiness of future cash flows do … ns, the unantici … to unantici …

There is … symmetric effect in … Jaganna … ing this asym…

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The aug … ucture of the beta ser … ts. Some of the beta … e unit root. As point … s almost true by the style of construction of the Kalman filter and the GARCH. These results are also available on request.