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Asymmetric beta in bull and bear market conditions: evidences from India

Saumitra N. Bhaduri & S. Raja Sethu Durai

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Abstra

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Notes

[1] Studies are not only deals with individual securities, it also done on various financial instruments like mutual funds, portfolios, industries etc. See Woodward and Anderson (2003) for a brief literature on this.

[2] Most of the studies classified the market conditions into two as bull and bear markets and also constructed various methods to identify it.

[3] In its simplest form to test the differential effect of beta for two different market conditions is to use a dummy variable model. A dummy is assigned for Bull (Bear) market condition, if the market return is greater (lower) than a threshold value. A significant coefficient reflects the existence of Dual beta.

[4] Most of studies assigned dummy with bear market condition as base; the rejection indicates there is no downside beta.

[5] See Jagannathan and Wang (1996) for a brief literature on conditional CAPM. For a criticism on conditional CAPM refer Lewellen and Nagel (2003).

[6] Stocks transacted daily are considered highly liquid.

[7] Recently more studies focus on trend based method as it takes care of the short-term noises. S efinitions.

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