Taylor & Francis
Online

Financial Analysts Journal ›
Volume 51, 1995 - Issue 3

222 Views | 130 CrossRef citations to date | 3 Altmetric

FEATURE ARTICLES

The Three Types of Factor Models: A Comparison of Their Explanatory Power

Gregory Connor

Pages 42-46 | Published online: 02 Jan 2019

Cite this article https://doi.org/10.2469/faj.v51.n3.1904

Sample our Law Journals
>> Sign in here to start your access to the latest two volumes for 14 days

Citations Metrics Reprints & Permissions Read this article Share

Abstract

Multifactor models of security market returns can be divided into three types: macroeconomic, fundamental, and statistical factor models. Macroeconomic factor models use observable economic time series, such as inflation and interest rates, as measures of the pervasive shocks to security returns. Fundamental factor models use the returns to portfolios associated with observed security attributes such as dividend yield, the book-to-market ratio, and industry identifiers. Statistical factor models derive their pervasive factors from factor analysis of the panel data set of security returns. This paper compares the explanatory power of these three approaches for U.S. equity returns.



Related research

People also read | Recommended articles | Cited by 130

Portfolio Constraints and the Fundamental Law of Active Management

Roger Clarke et al.
Financial Analysts Journal
Published online: 2 Jan 2019

Fundamental Growth

Rob Arnott et al.
Financial Analysts Journal
Published online: 13 Mar 2026

Information for

- Authors
- R&D professionals
- Editors
- Librarians
- Societies

Open access

- Overview
- Open journals
- Open Select
- Dove Medical Press
- F1000Research

Opportunities

- Reprints and e-prints
- Advertising solutions
- Accelerated publication
- Corporate access solutions

Help and information

- Help and contact
- Newsroom
- All journals
- Books

Keep up to date

Register to receive personalised research and resources by email

Sign me up

Copyright © 2026 Informa UK Limited Privacy policy

Cookies Terms & conditions Accessibility

Registered in England & Wales No. 01072954
5 Howick Place | London | SW1P 1WG