Financial Analysts Journal ›

Volume 52, 1996 - Issue 2

FEATURE ARTICLES

Do Sales–Price and Debt–Equity Explain Stock Returns Better than Book–Market and Firm Size?

William C. Barbee Jr., Sandip Mukherji & Gary A. Raines

Pages 56-60 | Published online: 02 Jan 2019

Cite this article https://doi.org/10.2469/faj.v52.n2.1980

Abstract

During the 1979–91 period, the sales–price ratio and the debt–equity ratio had greater explanatory power for stock returns than either the book–market value of equity ratio or the market value of equity. Furthermore, the sales–price ratio captures the role of the debt–equity ratio in explaining stock returns. Neither the book–market value of equity ratio nor the market value of equity has consistent explanatory power for stock returns, and the sales–price ratio is a more reliable explanatory factor.