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Equity Investments

Liquid Betting against Beta in Dow Jones Industrial Average Stocks

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Abstract

The authors considered liquidity and transaction costs in the practical implementation of betting against beta (BAB) strategies. Using the 30 highly liquid stocks of the Dow Jones Industrial Average over 1926–2013, they analyzed whether the beta anomaly exists and its existence is robust to various settings. Their results suggest that the beta anomaly exists and is robust to various settings. The beta anomaly has been documented in the literature, but it has been argued that it may be limited because of the illiquidity of the market.

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