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Page 2

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Strong support for this ratio was provided by Fama and French who evaluated the joint effects of market beta, size, E/P ratio, leverage, and the BV/MV ratio referred to as BE/ME on a cross section of average returns. They analyzed the hypothesized positive relationship between beta and expected returns and found that this positive relationship held pre-1969 but disappeared dur- ing the period 1963 to 1990. In contrast, the negative relationship between size and average return was significant by itself and significant after inclusion of other variables. In addition, they found a significant positive relationship between the BV/MV ratio and aver- age return that persisted even when other variables are included. Most importantly, both size and the BV/MV ratio are significant when included together and they dominate other ratios. Specif- icaUy, although leverage and the E/P ratio were significant by themselves or with size, they become insignificant when both size and the BV/MV ratio are considered. In summary, studies thathave used publicly available ratios to predict the cross section of expected returns for stocks have provided substantial evidence in conflict with the semistrong- form EMH. Significant results were found for P/E ratios, market value size, neglected firms, and BV/MV ratios. Although the Fama/French work indicated that the optimal combination appears to be size and the BV/MV ratio, a study by Jensen, Johnson, and Mercer indicates that this com- bination only works during periods of expansive monetary policy,

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