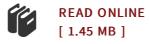# International Finance Discussion Papers: Jackknifing Stock Return Predictions

By Erik Hjalmarsson

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 30 pages. Dimensions: 9.7in. x 7.4in. x 0.1in.We show that the general bias reducing technique of jackknifing can be successfully applied to stock return predictability regressions. Compared to standard OLS estimation, the jackknifing procedure delivers virtually unbiased estimates with mean squared errors that generally dominate those of the OLS estimates. The jackknifing method is very general, as well as simple to implement, and can be applied to models with multiple predictors and overlapping observations. Unlike most previous work on inference in predictive regressions, no specific assumptions regarding the data generating process for the predictors are required. A set of Monte Carlo experiments show that the method works well in finite samples and the empirical section finds that out-of-sample forecasts based on the jackknifed estimates tend to outperform those based on the plain OLS estimates. The improved forecast ability also translates into economically relevant welfare gains for an investor who uses the predictive regression, with jackknifed estimates, to time the market. This item ships from La Vergne,TN. Paperback.

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