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Predictability in Equity Markets: Estimation and Inference

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Equity markets constitute a fundamental part of the global financial system, and understanding why stock prices move is crucial for both finance professionals and policymakers. Therefore, reliable measurement tools are essential to process the large amount of available information, taking into account the key features of the data.

All three chapters of this thesis contribute to analyzing and improving these tools to understand the dynamics of equity prices and returns. The first and the third chapters deal with improving already existing methods to measure expectations about future stock returns when the underlying predictive relationships are noisy or they weaken over time. The second chapter looks at a well-established statistical test in the context of equity return predictions and it points out that the decision based on this test is sensitive to the dynamic properties of the data.

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