

Asset Pricing in Policy Uncertainty Periods

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Abstract:

This project focuses on studying the relation between stock market beta and average returns depending on policy uncertainty level, which is the level of uncertainty of maintaining the government policy. Also, we examine the behavior of Capital Asset Pricing Model (CAPM) during high vs. low uncertainty periods. We focus our study in 25 Fama-French size and Book-to-market sorted portfolios for the period 1985-2013.