Macroeconomic Determinants of Stock Market Betas

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Abstract

This paper proposes the mixed frequency conditional beta. We employ the MIDAS framework to decompose market betas into high and low frequency components. The total mixed frequency beta is the weighted average of these two components. Then, we analyze the macroeconomic determinants of stock market betas, and the counter or pro-cyclicality of betas across well-known portfolio sorts. The surplus consumption ratio with time-varying risk aversion and the default premium are the aggregate variables with the higher statistical impact on stock market betas across alternative portfolios.

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