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 procyclicality 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.

This version: July 14, 2016

Keywords: Stock market betas; Mix-data sampling (MIDAS); Low-frequency component; High-frequency component; Macroeconomic indicators

JEL classification: C22, E32, E44, G12

Gonzalo Rubio and Juan Nave acknowledge financial support from Generalitat Valenciana grant PROMETEOII/2013/015. Gonzalo Rubio also recognizes the financial support from the Ministry of Economics and Competitiveness through grant ECO2015-67035-P, and the Bank of Spain. Juan Nave and Mariano González acknowledge the support from the Ministry of Economics and Competitiveness through grant ECO2012-36685, and Mariano González from the Cátedra Universidad CEU San Pablo-Mutua Madrileña. We thank Wayne Ferson, John Leahy, Belén Nieto, and Amir Yaron for very useful comments and suggestions. We also thank seminar participants at CUNEF, the University of the Basque Country, as well as of conference participants at the 5th International Conference of the Financial Engineering and Banking Society held in the Audencia Nantes School of Management, and the Finance Forum meeting at ICADE. Corresponding author: Gonzalo Rubio (gonzalo.rubio@uch.ceu.es).