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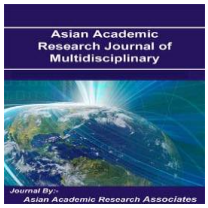

A NEW 5-FACTOR MODEL BASED ON THE EGARCH-TYPED VOLATILITIES AND THE SSAEPD ERRORS

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Abstract

In this paper, we extend the five-factor model in Fama and French(2015) with the EGARCH-typed volatilities in Nelson(1991) and the SSAEPD distribution in Zhu and Zinde-Walsh(2009). MLE is used for parameter estimation and AIC for model comparison. Simulation results show our MatLab program is valid. Empirical results find out 1) Fama-French five factors are still alive! 2) Our new model has better in-sample fit than the one in Fama and French(2015).

Keywords: Fama-French Five-Factor Model(FF5F), Standardized Standard Asymmetric Exponential Power Distribution(SSAEPD), EGARCH

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