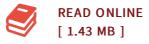# Common risk factors in the German stock market

By Daniel Bathe

GRIN Verlag Mai 2008, 2008. Taschenbuch. Book Condition: Neu. 210x148x5 mm. This item is printed on demand - Print on Demand Neuware - Diploma Thesis from the year 2007 in the subject Business economics - Banking, Stock Exchanges, Insurance, Accounting, grade: 1,3, University of Tubingen, 69 entries in the bibliography, language: English, abstract: This paper develops a multifactor model for explaining the difference in average returns for the German stock market in the period between July 1990 and June 2007. The methodology of Fama and French (1993) is adopted to determine possible common risk factors in that market. Despite the enormous and strong stock markets movements and the high volatility during that period, the three factors RM-RF, SMB and HML seem to be able to capture cross-sectional variation in average returns for portfolios formed on various sorting criteria based on publicly available financial data. In addition, the analysis shows a negative (risk) premium for small size stocks, which is a surprising result since it contradicts previous studies for the German, but also international markets. For stocks with a high book-to-market value, a strong positive premium is found. This value effect is consistent over time and statistically significant. Positive premiums...

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