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Risk-return relationships in Nordic Stock Exchanges

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Abstract

The report examines the relationship between return and the risk measures beta, volatility, Value at Risk, skewness and kurtosis with robust linear regression. The analysis includes the long as well as the short term relationship for all non-delisted stocks listed on the Stockholm, Helsinki and Copenhagen Stock Exchanges over the period 1989-2015. Beta seems to have no long-term relationship with return while higher risk in terms of volatility and Value at Risk seems to be associated with lower return. The short term relationship is ambiguous but seems at least not positive. The report thus rejects the assertion of a positive risk-return relationship by standard theories such as CAPM. This is consistent with earlier research which more often than not renounces a positive relationship, particularly in later ones.

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