Table I
Summary Statistics

r_{SMALL} and r_{LARGE} denote respectively the excess returns on the small-cap and large-cap portfolios, r_{VW} is the excess return on the market portfolio, r_{DEF} and r_{TERM} are the default and risk premium, respectively, g_{IP} and g_{CONS} are growth rates of industrial production and per capita consumption, respectively, π_{UI} measures the unanticipated inflation rate and g_{MON} the growth rate of the money supply, respectively. All reported numbers are annualized, in percentages.

	r_{SMALL}	r_{LARGE}	r_{VW}	r_{DEF}	r_{TERM}	g_{IP}	g_{CONS}	π_{UI}	g_{MON}
					1959:01-1999:12				
Mean	8.21	6.41	6.35	1.85	1.40	3.43	2.09	0.00	6.68
Median	12.17	9.78	9.73	1.81	0.31	4.38	2.39	-0.18	6.57
Maximum	389.06	198.80	195.37	3.93	112.93	71.97	21.60	16.36	32.40
Minimum	-354.16	-261.90	-266.67	0.14	-79.19	-50.96	-21.58	-10.69	-11.98
Std. Dev.	67.14	50.48	50.73	0.80	18.82	10.54	5.41	2.51	4.86
Skewness	-0.18	-0.40	-0.43	0.18	0.23	-0.10	-0.21	0.52	0.16
Kurtosis	7.32	5.22	5.31	2.26	7.06	9.03	4.49	7.61	5.15
					1959:01-1979:12				
Mean	8.08	3.02	3.29	1.42	0.17	4.12	2.28	0.19	5.86
Median	9.67	4.11	4.92	1.26	-0.30	4.66	2.45	-0.16	5.98
Maximum	389.06	198.80	195.37	3.54	54.81	71.97	21.60	16.36	22.22
Minimum	-253.47	-144.16	-145.93	0.14	-70.98	-50.96	-21.58	-6.89	-10.40
Std. Dev.	72.57	49.57	50.20	0.73	15.33	12.39	5.92	2.59	4.16
Skewness	0.40	-0.05	-0.06	0.85	-0.16	-0.11	-0.19	1.08	0.03
Kurtosis	6.48	4.13	4.07	2.97	6.24	8.48	4.29	8.28	3.96
					1980:01-1999:12				
Mean	8.34	9.98	9.57	2.29	2.68	2.70	1.89	-0.20	7.54
Median	14.69	12.38	12.76	2.25	2.29	3.91	2.24	-0.19	7.32
Maximum	167.19	149.87	149.07	3.93	112.93	25.60	17.78	7.97	32.40
Minimum	-354.16	-261.90	-266.67	0.78	-79.19	-30.09	-14.68	-10.69	-11.98
Std. Dev.	61.08	51.27	51.19	0.60	21.86	8.12	4.81	2.41	5.38
Skewness	-1.19	-0.75	-0.81	0.31	0.27	-0.40	-0.32	-0.24	0.04
Kurtosis	8.46	6.45	6.72	2.78	6.30	4.35	4.38	6.19	5.34

Table II
Correlations

See notes in Table I for variable definitions.

		r_{SMALL}	r_{LARGE}
1959:02-1999:12	r_{VW}	0.87	1.00
	r_{DEF}	0.19	0.20
	r_{TERM}	0.15	0.24
	g_{IP}	-0.03	-0.02
	g_{CONS}	0.20	0.15
	π_{UI}	-0.22	-0.20
	g_{MON}	-0.06	-0.03
1959:02-1979:12	r_{VW}	0.88	1.00
	r_{DEF}	0.20	0.20
	r_{TERM}	0.17	0.21
	g_{IP}	0.04	0.06
	g_{CONS}	0.22	0.21
	π_{UI}	-0.21	-0.22
	g_{MON}	-0.05	-0.09
1980:01-1999:12	r_{VW}	0.87	1.00
	r_{DEF}	0.27	0.18
	r_{TERM}	0.16	0.26
	g_{IP}	-0.15	-0.14
	g_{CONS}	0.17	0.09
	π_{UI}	-0.23	-0.16
	g_{MON}	-0.07	0.00

Table III
Rejection Rates Under the Null Hypothesis

We simulate 500 times the series $r_{it} = x_{1t} + x_{2t} + \ldots + x_{Kt} + \varepsilon_{it}, i = 1, 2, t = 1, ..., T, T = 240$ or 492. $x_{it} = 0.002 + 0.10\, x_{i,t-1} + u_{it},\ i = 1, 2, \ldots, K$, where $u_{1t}, ..., u_{Kt}$ are mutually independent and i.i.d. normally distributed with zero mean and variance 0.0001. $\varepsilon_{it} = 0.1\, \varepsilon_{i,t-1} + 0.003\sqrt{1 + 0.2\, \varepsilon_{i,t-1}^2}\, \eta_{it}, i = 1, 2$, with η standard normal noise. We test the null hypothesis of equality of all parameters across the two assets.

				Covariance Matrix Estimator					
K	Sample Size	Test		WH	NW	NW-P	A	AM	VARHAC
2	240	F	0.08						
		score		0.07	0.03	0.02	0.05	0.05	0.05
		Wald		0.08	0.08	0.07	0.07	0.07	0.07
2	492	F	0.07						
		score		0.07	0.05	0.05	0.06	0.05	0.05
		Wald		0.08	0.08	0.07	0.07	0.06	0.06
4	240	F	0.07						
		score		0.05	0.02	0.01	0.04	0.04	0.04
		Wald		0.10	0.13	0.13	0.10	0.08	0.08
4	492	F	0.06						
		score		0.05	0.03	0.03	0.04	0.04	0.04
		Wald		0.06	0.08	0.08	0.06	0.05	0.05

Table IV
Rejection Rates Under the Alternative Hypothesis

We simulate 500 times series

$$\begin{aligned} r_{1t} &= x_{1t} + x_{2t} + \ldots + x_{Kt} + \varepsilon_{1t}, \\ r_{2t} &= x_{1t} + x_{2t} + \ldots + x_{\frac{K}{2},t} + (1 + \tfrac{0.2}{K})(x_{(\frac{K}{2}+1),t} + x_{(\frac{K}{2}+2),t} + \ldots + x_{Kt}) + \varepsilon_{2t}, \end{aligned}$$

$t = 1, 2, \ldots, T$, $T = 240$ or 492. $x_{it} = 0.002 + 0.10\, x_{i,t-1} + u_{it}$, $i = 1, 2, \ldots, K$, where $u_{1t}, ..., u_{Kt}$ are mutually independent and i.i.d. normally distributed with zero mean and variance 0.0001. $\varepsilon_{it} = 0.1\, \varepsilon_{i,t-1} + 0.003\sqrt{1 + 0.2\, \varepsilon_{i,t-1}^2}\, \eta_{it}, i = 1, 2,$ with η standard normal noise. We test the null hypothesis of equality of all parameters across the two assets.

				Covariance Matrix Estimator					
K	Sample Size	Test		WH	NW	NW-P	A	AM	VARHAC
2	240	F	0.89						
		score		0.87	0.78	0.77	0.85	0.84	0.84
		Wald		0.90	0.89	0.89	0.88	0.87	0.87
2	492	F	1.00						
		score		0.99	0.99	0.99	0.99	0.99	0.99
		Wald		1.00	1.00	1.00	1.00	1.00	1.00
4	240	F	0.58						
		score		0.51	0.26	0.26	0.43	0.48	0.48
		Wald		0.61	0.62	0.61	0.61	0.58	0.58
4	492	F	0.89						
4	492	score		0.86	0.76	0.74	0.82	0.84	0.84
		Wald		0.89	0.87	0.87	0.88	0.88	0.88

Table V
Tests of Assorted Univariate Models

The model is $r_{it} = \alpha_i + \beta_i x_t + \varepsilon_{it},\ i = 1, 2$, where α_i is the i-th intercept, β_i is the i-th slope, $r_{1t} = r_{SMALL}$, $r_{2t} = r_{LARGE}$, x_t is one the following variables: r_{VW}, r_{DEF}, r_{TERM}, g_{IP}, g_{CONS}, π_{UI}, g_{MON} (see notes for Table I for variables' definitions) and ε_{it} is the regression error. Reported are HAC score statistics (VARHAC method) for testing: Equality of all parameters across the two equations; equality of slopes only; equality of intercepts only; zero values for intercepts. p-values are in parentheses.

		independent variable						
Hypothesis	Years	r_{VW}	r_{DEF}	r_{TERM}	g_{IP}	g_{CONS}	π_{UI}	g_{MON}
equal parameters	59-99	8.18	2.43	1.94	0.90	13.02	7.13	2.36
		(0.02)	(0.30)	(0.38)	(0.64)	(0.00)	(0.03)	(0.31)
	59-79	10.14	3.76	3.81	3.70	10.28	4.59	3.12
		(0.01)	(0.15)	(0.15)	(0.16)	(0.01)	(0.10)	(0.21)
	80-99	0.75	7.11	4.55	1.18	5.63	6.42	2.06
		(0.69)	(0.03)	(0.10)	(0.56)	(0.06)	(0.04)	(0.36)
equal slopes	59-99	7.71	1.83	1.33	0.08	11.91	6.72	1.35
		(0.01)	(0.18)	(0.25)	(0.77)	(0.00)	(0.01)	(0.25)
	59-79	8.96	1.69	0.27	0.01	6.13	2.42	0.00
		(0.00)	(0.19)	(0.60)	(0.94)	(0.01)	(0.12)	(0.99)
	80-99	0.39	6.22	3.80	0.74	5.28	6.02	1.69
		(0.53)	(0.01)	(0.05)	(0.39)	(0.02)	(0.01)	(0.19)
equal intercepts	59-99	0.32	0.88	1.01	0.79	0.04	0.94	2.34
		(0.57)	(0.35)	(0.32)	(0.37)	(0.84)	(0.33)	(0.13)
	59-79	3.62	0.33	3.18	2.09	0.89	3.39	0.84
		(0.06)	(0.57)	(0.07)	(0.15)	(0.35)	(0.07)	(0.36)
	80-99	0.65	7.05	0.17	0.13	2.13	0.69	0.44
		(0.42)	(0.01)	(0.68)	(0.72)	(0.14)	(0.41)	(0.50)
zero intercepts	59-99	6.37	9.10	6.03	6.78	2.33	7.88	4.98
		(0.04)	(0.01)	(0.05)	(0.03)	(0.31)	(0.02)	(0.08)
	59-79	3.62	6.49	3.21	2.10	1.26	3.58	2.07
		(0.16)	(0.04)	(0.20)	(0.35)	(0.53)	(0.17)	(0.36)
	80-99	8.69	7.27	7.99	13.33	10.46	10.06	4.53
		(0.01)	(0.03)	(0.02)	(0.00)	(0.01)	(0.01)	(0.10)

Table VI
Tests of Assorted Bivariate Models

The model is $r_{it} = \alpha_i + \beta_i x_t + \varepsilon_{it},\ i = 1, 2$, where α_i is the i-th intercept, β_i is the i-th slope, $r_{1t} = r_{SMALL}$, $r_{2t} = r_{LARGE}$, elements of x_t are r_{VW} and of one the following variables: r_{VW}, r_{DEF}, r_{TERM}, g_{IP}, g_{CONS}, π_{UI}, g_{MON} (see notes for Table I for variables' definitions) and ε_{it} is the regression error. Reported are HAC score statistics (VARHAC method) for testing: Equality of all parameters across the two equations; equality of slopes only; equality of intercepts only; zero values for intercepts. p-values are in parentheses.

		independent variable (in addition to market return)					
Hypothesis	Years	r_{DEF}	r_{TERM}	g_{IP}	g_{CONS}	π_{UI}	g_{MON}
equal parameters	59-99	8.32	9.84	9.11	16.93	11.84	9.01
		(0.04)	(0.02)	(0.03)	(0.00)	(0.01)	(0.03)
	59-79	10.56	10.15	13.52	13.00	10.19	10.50
		(0.01)	(0.02)	(0.00)	(0.00)	(0.02)	(0.01)
	80-99	9.64	4.29	1.59	6.95	8.89	3.27
		(0.02)	(0.23)	(0.66)	(0.07)	(0.03)	(0.35)
equal slopes (market)	59-99	7.35	8.65	7.66	6.25	6.26	7.75
		(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)
	59-79	9.11	8.99	8.38	8.01	8.51	9.06
		(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
	80-99	0.04	0.88	0.30	0.18	0.09	0.41
		(0.84)	(0.35)	(0.58)	(0.67)	(0.76)	(0.52)
equal slopes (other)	59-99	0.82	5.15	0.07	7.93	4.10	2.01
		(0.37)	(0.02)	(0.80)	(0.00)	(0.04)	(0.16)
	59-79	0.68	0.37	0.16	1.33	0.22	0.23
		(0.41)	(0.54)	(0.69)	(0.25)	(0.64)	(0.63)
	80-99	8.25	3.48	0.71	5.02	7.79	2.47
		(0.00)	(0.06)	(0.40)	(0.03)	(0.01)	(0.12)
equal intercepts	59-99	0.34	0.44	0.33	0.25	0.38	2.40
		(0.56)	(0.51)	(0.57)	(0.62)	(0.54)	(0.12)
	59-79	0.02	3.62	2.89	1.53	3.74	0.44
		(0.88)	(0.06)	(0.09)	(0.22)	(0.05)	(0.51)
	80-99	9.66	0.46	0.28	2.80	0.88	0.45
		(0.00)	(0.50)	(0.59)	(0.09)	(0.35)	(0.50)
zero intercepts	59-99	0.84	6.22	5.98	5.52	6.55	5.79
		(0.66)	(0.04)	(0.05)	(0.06)	(0.04)	(0.06)
	59-79	3.71	3.63	2.96	1.67	3.76	0.83
		(0.16)	(0.16)	(0.23)	(0.43)	(0.15)	(0.66)
	80-99	12.41	8.32	7.92	12.19	8.54	2.89
		(0.00)	(0.02)	(0.02)	(0.00)	(0.01)	(0.24)