

Do Momentum, Value, and Size Premia Predict Economic Growth?

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This paper explore whether market anomalies can predict economic growth and other macroeconomic factors using the time-varying volatility methodology. The findings indicate that risk premia have different and significant relationship with different macroeconomic factors in the U.S market. The findings of using different univariate and multivariate specification of Ordinary Least Squares and TARCh models suggest that momentum can predict economic growth while there is no evidence that value premium, size premium or momentum can do. However there is strong evidence that the liquidity crisis can predict the economic growth.

Key words: Value Premium; Size Premium; Momentum; Default Risk; Term Premium; Financial Crises; Economic Growth.

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