Holding Period Effects in Dividend Strip Returns

Replication package – November 2023

This file describes the data and MATLAB codes for the main empirical results. Run the code with the corresponding name to replicate a specific figure or table. The data are saved in the subfolder 'Data.'

Data

The Excel file *'Main_data_1996_2022.xls'* collects the main variables: SP_500 (S&P 500 index price level), Div_m (monthly index dividends), Div_a (annual index dividends), SP_ret (monthly return on S&P 500 index), Div_strip_12m (price of 12-month dividend strip), Div_strip_ret (monthly return on dividend strip strategy), Indicated_div (indicated dividends), Treasury_ret_2y (monthly return on 2-year Treasury bond), Treasury_ret_10y (monthly return on 10-year Treasury bond), Mkt-Rf (monthly market risk factor), and Rf (monthly risk-free rate).

The Excel file *'Interest_rates_1996_2022.xls'* collects interest rates: Implied_rate_1y (constant 1-year options implied rate), Zero_rate_1y (constant 1-year zero curve rate), and Rf_H15_1y (constant 1-year Treasury rate from the H. 15 filing).

MATLAB codes

All linear regression models with Newey-West standard errors use olsnw.m. The tests in Table 2 use the RobustSharpeTest toolbox.

- Table_1.m: Monthly Returns (Annualized)
- Table_2.m: generates:

  Table 2: Holding Period Returns and Sharpe Ratios (Annualized)

  Figure 3: Annualized Standard Deviation Across Different Holding Periods

  Figure 4: Annualized Sharpe Ratio Across Different Holding Periods
- Table_3.m: Holding Period Returns and the Market Model (Annualized Returns)
- Table_4.m: Predicting the Realized Term Premia
- Table_5.m: Predicting the Term Structure in Sharpe Ratios
- Table_6.m: Predicting the Term Structure in Market Model Alphas
- Figure_1.m: Interest Rates
- Figure_2.m: Cumulative Returns
- Figure_5.m: Annualized Sharpe Ratios: Subsamples (set a = 1 for left panels; set a = 2 for right panels)