Do asset pricing anomalies have a common link? Empirical analyses of risk-proxies, external financing, and stock returns

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# Alternative explanations for anomalies:
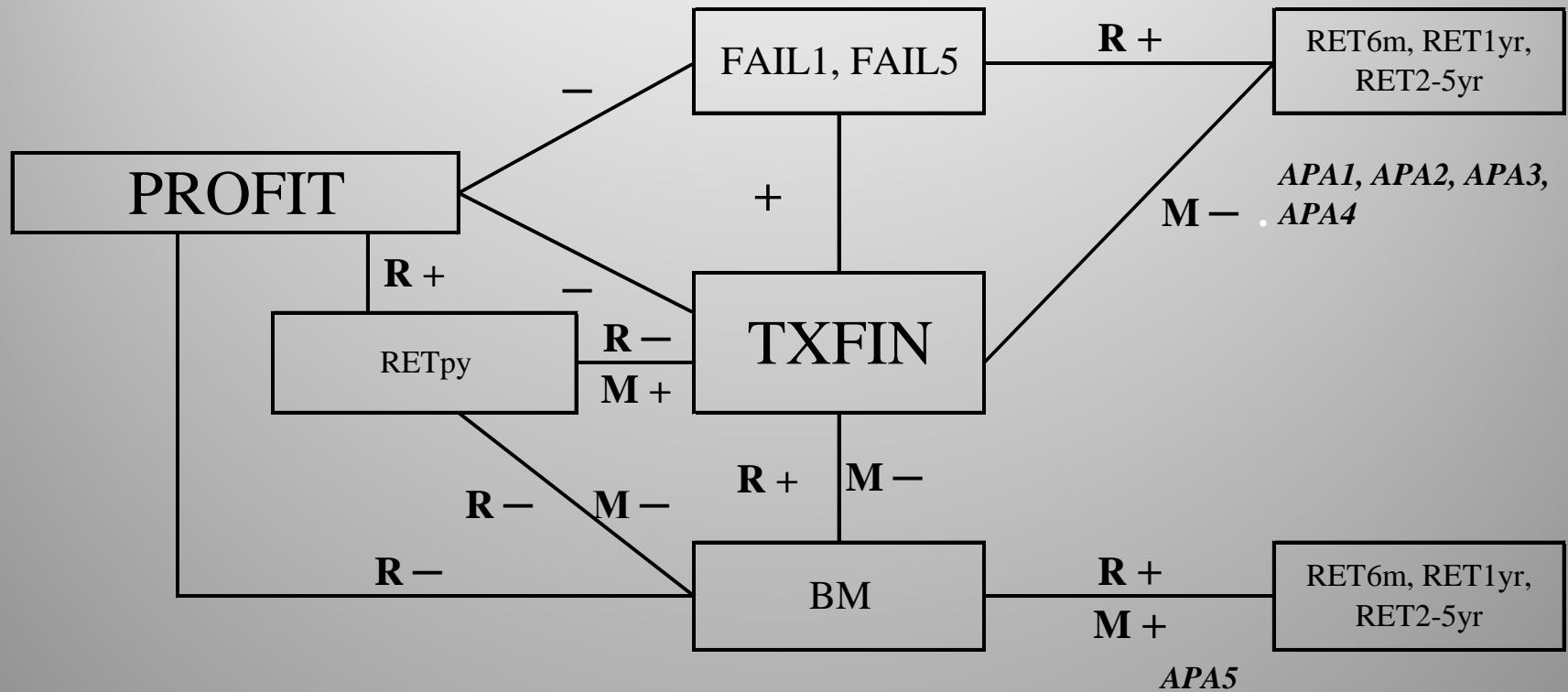
- Explanations generally fall into one of two categories: (i) market efficiency (i.e., the anomaly is actually a manifestation of a rational risk-return tradeoff); or (ii) behavioral finance (i.e., the anomaly is due to the effects of investors' psychological biases).

- While finding anomalies and proposing an explanation for each anomaly is important, it is also important to determine whether some or all anomalies have a common link. By common link, we mean that a set of anomalies heretofore considered to be distinct actually have a common driver.

The "Common Link" hypothesis:
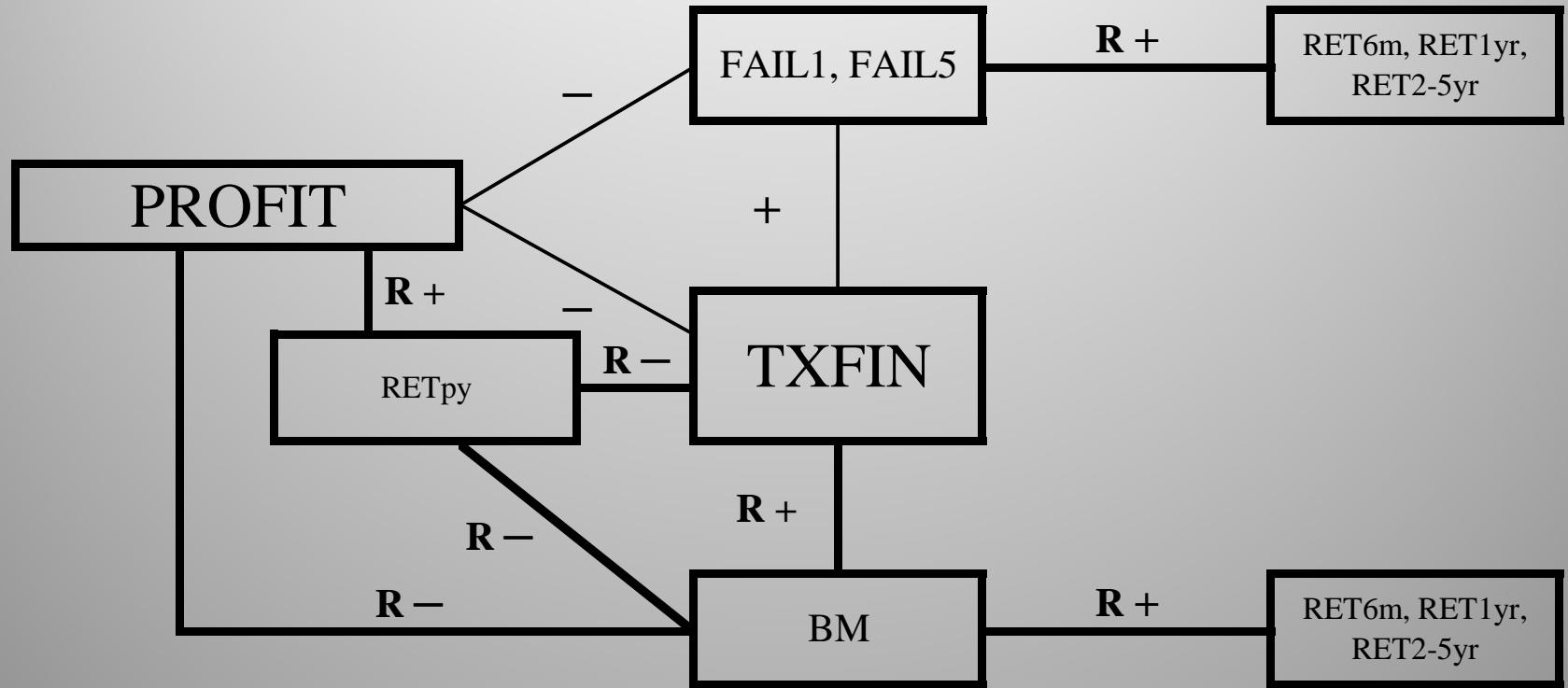
Proposition: The following asset pricing anomalies (APAs) share a common link via a mispricing relationship involving *operating profit* and *external financing*:

1. The external financing anomaly
    -   Future stock returns are negatively related to prior external financing activity (debt *and/or* equity)
2. The failure-risk anomaly
    -   Future stock returns are negatively, rather than positively, related to ex ante failure risk
3. The raw profitability anomaly
    -   Future stock returns are positively, rather than negatively, related to recent raw profitability
4. Post-earnings announcement drift (a.k.a. earnings momentum)
    -   Abnormal returns following the announcement of earnings are positively related to the initial earnings surprise
5. The book-to-market anomaly
    -   BM is a measure of mispricing rather than risk
6. The accruals anomaly
    -   Stock returns are negatively related to accounting accruals
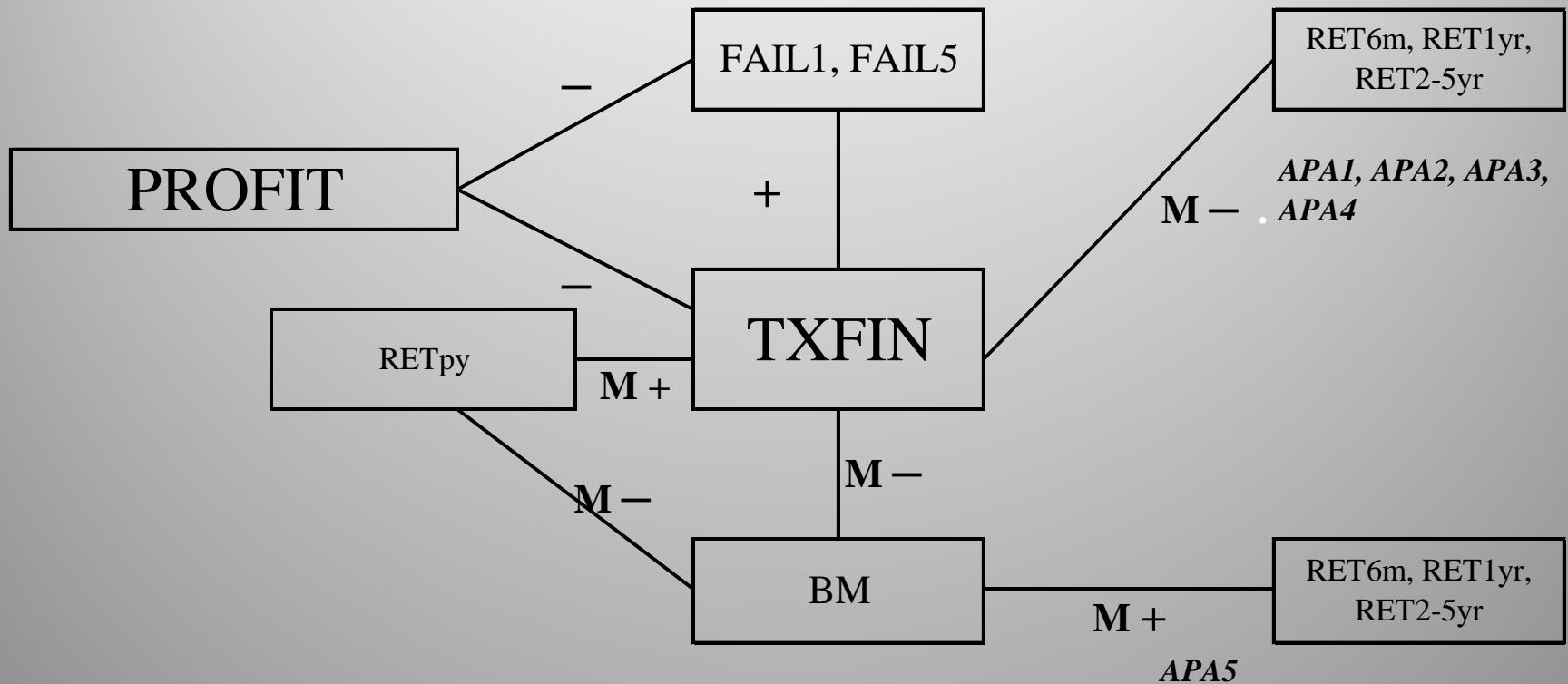
Figure 1

Figure 1: Rational Only
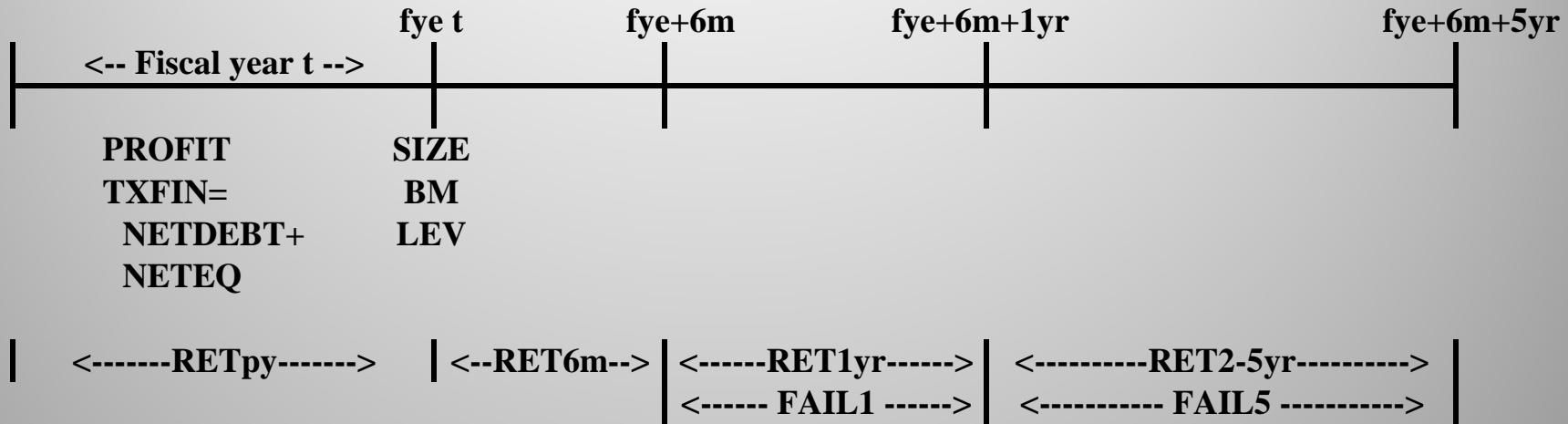
Figure 1: Mispricing Only

Assumption, Data and Methodology

- Assumption
  - In rational pricing of all stocks, expected return premium is positively related to failure risk, as the only priced factor
- Data
  - U.S.-incorporated non-financial, non-utility firms that have been publicly traded for at least 1 year
  - Fiscal years-end 1980-2001 (with future returns extending into 2007)
- Methodology
  - Each year a total of 274 equally-weighted portfolios are formed by either univariate or bivariate sorts of focal variable(s) into quintiles:
    - Candidate failure-risk proxies: SIZE (+), BM (+), PROFIT (-), LEV (+)
    - External financing variables: NETDEBT, NETEQ [classes: <0, =0, <5%, >=5%], TXFIN
  - All mean values of focal variables, as well as past and future portfolio returns, are time-series means of annual cross-sectional averages

Timeline

```
                      fye t              fye+6m          fye+6m+1yr                        fye+6m+5yr
  <-- Fiscal year t -->  |                  |                 |                                  |
  |_____|_____|_____|_____|

       PROFIT           SIZE
       TXFIN=           BM
         NETDEBT+       LEV
         NETEQ

  |  <-------RETpy------->  | <--RET6m--> | <------RET1yr------> | <----------RET2-5yr---------> |
                                          | <------ FAIL1 ------> | <----------- FAIL5 -----------> |
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ATTENUATION: *Rational risk pricing effects on future returns:*

Large   **Medium**   **Small**

ATTENUATION: *Mispricing effects on future returns:*

Large   **Medium**   **Small**

Table 1, Panels A and B

	Quintile of focal risk-proxy variable:					Diff.
	(1) (low)	(2)	(3)	(4)	(5) (high)	[(5)-(1)]
Panel A: Focal risk-proxy variable: SIZE						
SIZE	1.00	2.00	3.00	4.00	5.00	4.00***
BM	1.22	0.85	0.70	0.58	0.49	-0.73***
PROFIT (%)	-1.42	1.56	3.70	8.02	11.78	13.20***
LEV (%)	32.38	26.11	22.83	21.47	19.52	-12.86***
NETDEBT (%)	-0.41	1.10	1.43	2.05	1.81	2.22***
NETEQ (%)	3.52	4.95	5.82	4.25	1.11	-2.41***
TXFIN (%)	3.11	6.05	7.25	6.29	2.92	-0.19
FAIL1 (%)	11.38	3.65	1.67	0.61	0.15	-11.23***
FAIL5 (%)	36.88	18.37	10.13	5.09	1.29	-35.59***
RETpy (%)	-0.23	1.02	1.81	2.32	2.31	2.54***
RET6m (%)	3.41	1.86	1.59	1.46	1.44	-1.97***
RET1yr (%)	1.90	1.25	0.99	0.96	1.11	-0.79***
RET2-5yr (%)	1.67	1.42	1.34	1.31	1.29	-0.38***
Panel B: Focal risk-proxy variable: BM						
SIZE	3.35	3.51	3.30	2.85	2.06	-1.29***
BM	0.17	0.38	0.60	0.89	1.79	1.62***
PROFIT (%)	0.11	6.91	6.98	6.11	3.74	3.63***
LEV (%)	12.01	16.39	22.91	29.67	41.13	29.12***
NETDEBT (%)	2.38	1.81	1.25	0.91	-0.32	-2.70***
NETEQ (%)	11.67	4.31	2.33	1.00	0.37	-11.30***
TXFIN (%)	14.05	6.12	3.58	1.90	0.05	-14.00***
FAIL1 (%)	4.88	2.28	1.90	2.61	5.51	0.63***
FAIL5 (%)	18.05	9.84	9.48	12.39	21.25	3.20***
RETpy (%)	4.09	2.40	1.38	0.41	-1.00	-5.09***
RET6m (%)	0.77	1.46	1.83	2.23	3.43	2.66***
RET1yr (%)	0.46	1.11	1.33	1.48	1.81	1.35***
RET2-5yr (%)	1.05	1.32	1.42	1.51	1.64	0.59***

Table 1, Panels C and D

	Quintile of focal risk-proxy variable:					Diff.
	(1) (low)	(2)	(3)	(4)	(5) (high)	[(5)-(1)]
Panel C: Focal risk-proxy variable: PROFIT						
SIZE	2.16	2.72	3.19	3.48	3.51	1.35***
BM	0.73	0.98	0.85	0.71	0.55	-0.18***
PROFIT (%)	-18.16	2.01	7.36	11.79	20.35	38.51***
LEV (%)	23.06	33.27	29.78	22.25	13.60	-9.46***
NETDEBT (%)	1.94	2.51	1.89	0.72	-1.01	-2.95***
NETEQ (%)	13.91	2.97	1.81	0.96	0.24	-13.67***
TXFIN (%)	15.85	5.48	3.71	1.68	-0.77	-16.62***
FAIL1 (%)	9.73	3.71	1.63	1.02	1.19	-8.54***
FAIL5 (%)	32.68	16.66	9.45	6.28	6.26	-26.42***
RETpy (%)	0.49	0.97	1.45	1.82	2.55	2.06***
RET6m (%)	1.41	1.64	2.05	2.19	2.40	0.99**
RET1yr (%)	1.02	0.99	1.32	1.41	1.42	0.40*
RET2-5yr (%)	1.29	1.41	1.40	1.42	1.39	0.10
Panel D: Focal risk-proxy variable: LEV						
SIZE	3.00	3.25	3.28	3.07	2.47	-0.53***
BM	0.54	0.52	0.64	0.83	1.29	0.75***
PROFIT (%)	3.40	4.63	6.47	5.77	3.61	0.21
LEV (%)	0.60	6.59	18.36	34.79	62.17	61.57***
NETDEBT (%)	-0.89	-0.03	1.64	2.61	2.71	3.60***
NETEQ (%)	9.19	6.35	2.26	1.09	0.73	-8.46***
TXFIN (%)	8.30	6.32	3.89	3.71	3.44	-4.86***
FAIL1 (%)	2.62	2.31	2.51	3.12	6.63	4.01***
FAIL5 (%)	12.62	11.82	11.07	12.55	22.95	10.33***
RETpy (%)	2.43	2.44	1.70	1.03	-0.34	-2.77***
RET6m (%)	1.80	1.54	1.78	2.06	2.53	0.73***
RET1yr (%)	1.32	1.16	1.26	1.27	1.16	-0.16
RET2-5yr (%)	1.43	1.35	1.36	1.38	1.40	-0.03

Table 1, Panels E and F

	Quintile of focal risk-proxy variable:					Diff.
	(1) (low)	(2)	(3)	(4)	(5) (high)	[(5)-(1)]
Panel E: Focal financing variable: NETDEBT						
SIZE	2.75	3.01	2.97	3.31	3.11	0.36***
BM	0.87	0.81	0.69	0.79	0.68	-0.19***
PROFIT (%)	6.84	5.14	3.70	5.49	3.21	-3.63***
LEV (%)	30.63	22.44	9.29	29.88	35.21	4.58***
NETDEBT (%)	-9.70	-1.31	-0.07	2.09	15.32	25.02***
NETEQ (%)	4.78	3.62	5.17	2.74	2.66	-2.12***
TXFIN (%)	-4.92	2.31	5.10	4.83	17.98	22.90***
FAIL1 (%)	3.78	3.12	3.09	2.91	4.21	0.43
FAIL5 (%)	15.60	12.66	13.46	12.27	16.73	1.13
RETpy (%)	1.66	1.45	1.55	1.30	1.29	-0.37
RET6m (%)	2.48	2.14	1.99	1.82	1.27	-1.22***
RET1yr (%)	1.49	1.43	1.47	1.18	0.56	-0.93***
RET2-5yr (%)	1.46	1.48	1.44	1.35	1.16	-0.30***
Panel F: Focal financing variable: NETEQ[a]						
SIZE	3.28	2.37	3.22		2.99	-0.29***
BM	0.85	1.08	0.67		0.43	-0.42***
PROFIT (%)	9.54	4.41	6.20		-5.74	-15.28***
LEV (%)	24.76	33.42	23.09		15.22	-15.62***
NETDEBT (%)	1.16	0.54	1.78		0.82	-0.34
NETEQ (%)	-3.24	0.00	0.87		29.20	32.44***
TXFIN (%)	-2.08	0.54	2.65		30.02	32.10***
FAIL1 (%)	1.65	6.38	2.35		5.65	4.00***
FAIL5 (%)	8.80	21.60	10.64		22.41	13.61***
RETpy (%)	1.04	0.62	1.56		3.01	1.97***
RET6m (%)	2.24	2.56	1.89		0.91	-1.33***
RET1yr (%)	1.50	1.36	1.30		0.40	-1.10***
RET2-5yr (%)	1.44	1.44	1.43		1.03	-0.41***

Table 1, Panel G

	Quintile of focal risk-proxy variable:					Diff.
	(1) (low)	(2)	(3)	(4)	(5) (high)	[(5)-(1)]
Panel G: Focal financing variable: TXFIN						
SIZE	2.89	2.93	3.03	3.24	2.98	0.09
BM	0.89	0.91	0.78	0.73	0.52	-0.37***
PROFIT (%)	9.63	6.96	5.67	5.10	-3.29	-12.92***
LEV (%)	29.06	23.91	16.41	27.88	25.03	-4.03***
NETDEBT (%)	-7.74	-1.21	0.09	3.40	11.60	19.34***
NETEQ (%)	-2.34	-0.18	0.45	1.90	19.77	22.11***
TXFIN (%)	-10.07	-1.39	0.53	5.30	31.37	41.44***
FAIL1 (%)	2.92	2.88	2.99	3.07	5.12	2.20***
FAIL5 (%)	12.49	12.25	12.43	12.50	21.36	8.87***
RETpy (%)	1.31	1.03	1.21	1.40	2.33	1.02***
RET6m (%)	2.61	2.41	2.07	1.68	0.94	-1.67***
RET1yr (%)	1.69	1.53	1.55	1.13	0.27	-1.42***
RET2-5yr (%)	1.49	1.49	1.47	1.39	1.07	-0.42***

Table 2

BM quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel B: PROFIT						
(1) (low)	-16.06	-11.63	-7.10	5.70	14.83	30.89***
(2)	-5.06	1.49	5.26	9.64	12.23	17.29***
(3)	-0.61	4.51	7.01	9.13	10.54	11.15***
(4)	1.82	5.53	7.18	7.86	8.68	6.86***
(5) (high)	1.79	4.73	5.10	5.97	6.85	5.06***
Diff. [(5)-(1)]	17.85***	16.36***	12.20***	0.27	-7.98***	
Panel D: NETDEBT						
(1) (low)	0.58	2.42	2.63	2.91	2.56	1.98***
(2)	0.21	1.81	1.74	2.48	1.82	1.61***
(3)	-0.03	1.12	1.37	1.74	1.41	1.44***
(4)	-0.25	0.80	1.01	1.76	1.42	1.67***
(5) (high)	-1.07	0.02	0.23	0.60	1.04	2.11***
Diff. [(5)-(1)]	-1.65***	-2.40***	-2.40***	-2.31***	-1.52***	
Panel E: NETEQ						
(1) (low)	14.51	18.25	18.89	11.36	2.60	-11.91***
(2)	7.58	6.90	6.30	4.42	0.77	-6.81***
(3)	3.92	3.20	3.06	2.19	0.25	-3.67***
(4)	1.60	0.93	1.07	0.79	0.35	-1.25***
(5) (high)	0.44	0.22	0.35	0.39	0.27	-0.17
Diff. [(5)-(1)]	-14.07***	-18.03***	-18.54***	-10.97***	-2.33***	
Panel F: TXFIN						
(1) (low)	15.09	20.66	21.52	14.28	5.16	-9.93***
(2)	7.79	8.72	8.03	6.90	2.58	-5.21***
(3)	3.89	4.32	4.43	3.93	1.66	-2.23
(4)	1.35	1.73	2.08	2.55	1.77	0.42
(5) (high)	-0.63	0.25	0.57	0.99	1.30	1.93***
Diff. [(5)-(1)]	-15.72***	-20.41***	-20.95***	-13.29***	-3.86***	

BM quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel H: FAIL5 (%)						
(1) (low)	53.61	30.90	19.46	7.73	1.23	-52.38***
(2)	40.08	17.55	8.50	4.36	1.00	-39.08***
(3)	34.29	14.47	7.26	3.34	1.18	-33.11***
(4)	32.05	14.49	6.98	4.45	1.91	-30.14***
(5) (high)	34.21	16.07	8.94	7.99	5.09	-29.12***
Diff. [(5)-(1)]	-19.40***	-14.83***	-10.52***	0.26	3.86***	
Panel I: RETpy (%)						
(1) (low)	1.07	3.43	4.86	5.47	4.08	3.01***
(2)	1.33	2.34	2.90	2.77	2.19	0.86***
(3)	0.68	1.56	1.44	1.55	1.38	0.70***
(4)	0.07	0.37	0.49	0.53	0.62	0.55*
(5) (high)	-1.36	-0.94	-0.65	-0.54	-0.14	1.22***
Diff. [(5)-(1)]	-2.43***	-4.37***	-5.51***	-6.01***	-4.22***	
Panel J: RET6m (%)						
(1) (low)	1.74	0.64	0.29	0.63	1.03	-0.71**
(2)	2.15	1.65	1.50	1.14	1.43	-0.72**
(3)	3.00	1.77	1.67	1.69	1.55	-1.45***
(4)	3.17	1.96	2.01	1.99	1.91	-1.26***
(5) (high)	4.39	2.81	2.68	2.60	2.34	-2.05***
Diff. [(5)-(1)]	2.65***	2.17***	2.39***	1.97***	1.31***	
Panel K: RET1yr (%)						
(1) (low)	0.80	0.47	0.05	0.35	0.88	0.08
(2)	1.70	0.95	1.05	1.03	1.10	-0.60***
(3)	1.91	1.35	1.26	1.16	1.24	-0.67***
(4)	1.98	1.45	1.39	1.21	1.24	-0.74***
(5) (high)	2.23	1.71	1.26	1.16	1.37	-0.86***
Diff. [(5)-(1)]	1.43***	1.24***	1.21***	0.81***	0.49*	

Table 3

LEV quintile:	PROFIT quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]	LEV quintile:	PROFIT quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel C: PROFIT (%)							*Panel I:* FAIL5 (%)						
(1) (low)	-24.77	1.86	7.37	12.00	21.56	46.33***	(1) (low)	29.84	12.91	7.89	5.34	4.41	-25.43***
(2)	-21.87	1.92	7.39	11.93	20.14	42.01***	(2)	32.14	13.52	6.82	4.38	4.81	-27.33***
(3)	-16.79	2.03	7.48	11.84	19.33	36.12***	(3)	33.02	13.99	6.68	4.75	5.45	-27.57***
(4)	-12.99	2.14	7.38	11.65	19.57	32.56***	(4)	34.64	14.15	7.72	5.34	9.03	-25.61***
(5) (high)	-10.05	2.05	7.18	11.52	20.59	30.64***	(5) (high)	40.20	23.30	15.21	14.27	19.84	-20.36***
Diff. [(5)-(1)]	14.72***	0.19	-0.19	-0.48*	-0.97***		Diff. [(5)-(1)]	10.36***	10.39***	7.32***	8.93***	15.43***	
Panel E: NETDEBT							*Panel J:* RETpy (%)						
(1) (low)	-0.86	-0.82	-0.71	-0.82	-1.04	-0.18	(1) (low)	1.92	1.94	2.23	2.30	3.15	1.23***
(2)	1.62	0.40	-0.11	-0.21	-1.11	-2.73***	(2)	1.61	2.44	2.51	2.45	2.96	1.35***
(3)	3.62	2.16	1.98	1.32	-0.31	-3.93***	(3)	0.16	1.62	1.77	2.09	2.30	2.14***
(4)	4.27	3.85	3.00	2.02	-0.74	-5.01***	(4)	-0.56	0.91	1.36	1.48	1.64	2.20***
(5) (high)	4.71	4.01	3.05	0.84	-2.84	-7.55***	(5) (high)	-1.79	-0.41	0.36	0.51	0.39	2.18***
Diff. [(5)-(1)]	5.20***	4.81***	3.72***	1.55***	-1.92***		Diff. [(5)-(1)]	-3.71***	-2.35***	-1.87***	-1.79***	-2.76***	
Panel F: NETEQ							*Panel K:* RET6m (%)						
(1) (low)	25.45	7.06	5.23	3.39	0.92	-24.53***	(1) (low)	1.40	1.60	1.45	1.99	2.24	0.84***
(2)	18.84	6.44	3.72	1.70	0.18	-18.66***	(2)	0.96	0.88	1.47	1.80	2.07	1.11***
(3)	9.40	3.14	1.45	0.22	-0.38	-9.78***	(3)	1.37	1.13	1.80	1.93	2.37	1.00***
(4)	4.63	1.48	0.70	-0.06	-0.25	-4.88***	(4)	1.54	1.62	2.08	2.45	2.89	1.35***
(5) (high)	2.17	0.75	0.44	0.12	-0.01	-2.18***	(5) (high)	1.64	2.31	2.94	2.96	3.89	2.25***
Diff. [(5)-(1)]	-23.28***	-6.31***	-4.79***	-3.27***	-0.93***		Diff. [(5)-(1)]	0.24	0.71**	1.49***	0.97***	1.65***	
Panel G: TXFIN							*Panel L:* RET1yr (%)						
(1) (low)	24.59	6.23	4.52	2.57	-0.12	-24.71***	(1) (low)	1.24	1.17	1.48	1.21	1.40	0.16
(2)	20.46	6.84	3.61	1.48	-0.93	-21.39***	(2)	0.96	0.67	1.14	1.30	1.32	0.36
(3)	13.02	5.30	3.42	1.54	-0.69	-13.71***	(3)	1.13	1.09	1.18	1.36	1.41	0.28
(4)	8.90	5.32	3.70	1.96	-0.99	-9.89***	(4)	0.69	1.00	1.40	1.52	1.62	0.93***
(5) (high)	6.88	4.76	3.49	0.95	-2.86	-9.74***	(5) (high)	0.47	0.90	1.45	1.82	2.06	1.59***
Diff. [(5)-(1)]	-17.71***	-1.47**	-1.03	-1.62***	-2.74***		Diff. [(5)-(1)]	-0.77***	-0.27	-0.04	0.60***	0.67***	

Table 4

PROFIT quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]	PROFIT quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel A: BM							*Panel H:* FAIL5 (%)						
(1) (low)	1.03	0.64	0.51	0.48	0.58	-0.45***	(1) (low)	49.69	31.01	19.57	12.41	6.73	-42.96***
(2)	1.45	1.03	0.84	0.71	0.66	-0.79***	(2)	33.59	18.32	11.24	7.83	3.41	-30.18
(3)	1.35	1.00	0.83	0.68	0.60	-0.75***	(3)	28.00	13.77	7.28	4.02	1.24	-26.76
(4)	1.24	0.90	0.72	0.59	0.49	-0.75***	(4)	23.91	10.12	5.57	2.95	0.83	-23.08***
(5) (high)	1.09	0.71	0.57	0.44	0.35	-0.74***	(5) (high)	26.45	10.43	5.38	2.49	0.53	-25.92***
Diff. [(5)-(1)]	0.06	0.07	0.06	-0.04	-0.23***		Diff. [(5)-(1)]	-23.24***	-20.58***	-14.19***	-9.92***	-6.20***	
Panel D: NETDEBT							*Panel I:* RETpy (%)						
(1) (low)	0.69	2.46	2.19	3.66	5.23	4.54***	(1) (low)	-1.36	0.40	1.86	2.90	3.31	4.67***
(2)	0.36	2.28	2.82	4.09	4.07	3.71***	(2)	-0.15	0.53	1.23	1.83	2.21	2.36***
(3)	0.29	1.17	2.29	2.62	2.74	2.45***	(3)	0.39	1.02	1.47	1.95	1.97	1.58***
(4)	-1.42	-0.07	0.70	1.42	1.43	2.85***	(4)	0.89	1.50	1.91	2.06	2.08	1.19***
(5) (high)	-4.03	-2.03	-1.56	-0.37	0.37	4.40***	(5) (high)	1.46	2.40	2.66	2.93	2.65	1.19***
Diff. [(5)-(1)]	-4.72***	-4.49***	-3.75***	-4.03***	-4.86***		Diff. [(5)-(1)]	2.82***	2.00***	0.80***	0.03	-0.66**	
Panel E: NETEQ							*Panel J:* RET6m (%)						
(1) (low)	8.82	15.19	18.76	17.83	9.48	0.66	(1) (low)	3.22	0.86	0.32	0.02	-0.10	-3.32***
(2)	1.24	2.17	3.57	4.81	3.81	2.57***	(2)	3.18	1.55	1.20	0.88	0.81	-2.37***
(3)	0.63	1.23	2.35	2.74	1.59	0.96*	(3)	3.52	2.29	1.98	1.57	1.42	-2.10***
(4)	0.30	0.46	1.40	1.87	0.43	0.13	(4)	3.88	2.46	2.15	1.93	1.59	-2.29***
(5) (high)	0.20	0.07	1.01	0.80	-0.45	-0.65	(5) (high)	4.10	2.98	2.54	2.08	1.70	-2.40***
Diff. [(5)-(1)]	-8.62***	-15.12***	-17.75***	-17.03***	-9.93***		Diff. [(5)-(1)]	0.88*	2.12***	2.22***	2.06***	1.80***	
Panel F: TXFIN							*Panel K:* RET1yr (%)						
(1) (low)	9.51	17.65	20.95	21.49	14.71	5.20***	(1) (low)	1.83	0.92	0.38	0.13	0.37	-1.46***
(2)	1.60	4.46	6.39	8.99	7.88	6.28***	(2)	1.76	1.00	0.74	0.58	0.70	-1.06***
(3)	0.34	2.40	4.64	5.35	4.34	4.00***	(3)	2.07	1.35	1.24	1.10	1.14	-0.93***
(4)	-1.12	0.40	2.11	3.29	1.87	2.99***	(4)	2.17	1.79	1.26	1.22	1.20	-0.97***
(5) (high)	-3.83	-1.96	-0.55	0.43	-0.08	3.75***	(5) (high)	2.04	1.44	1.42	1.33	1.26	-0.78***
Diff. [(5)-(1)]	-13.34***	-19.61***	-21.50***	-21.06***	-14.79***		Diff. [(5)-(1)]	0.21	0.52*	1.04***	1.20***	0.89**	

Table 10

TXFIN quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel A: BM						
(1) (low)	1.38	0.97	0.82	0.66	0.49	-0.89***
(2)	1.37	1.00	0.85	0.68	0.54	-0.83***
(3)	1.24	0.87	0.71	0.57	0.48	-0.76***
(4)	1.16	0.87	0.70	0.60	0.51	-0.66***
(5) (high)	0.80	0.54	0.48	0.46	0.40	-0.40***
Diff. [(5)-(1)]	-0.58***	-0.43***	-0.34***	-0.20***	-0.09***	
Panel B: PROFIT						
(1) (low)	4.29	8.74	9.77	12.18	14.68	10.39***
(2)	0.84	5.41	7.36	9.94	12.30	11.46***
(3)	-1.71	2.11	5.73	9.70	12.34	14.05***
(4)	-1.57	1.56	3.96	7.52	10.63	12.20***
(5) (high)	-11.64	-9.51	-5.33	2.45	8.10	19.74***
Diff. [(5)-(1)]	-15.93***	-18.25***	-15.10***	-9.73***	-6.58***	
Panel D: NETDEBT						
(1) (low)	-10.92	-8.40	-8.27	-6.13	-4.31	6.61***
(2)	-1.36	-1.28	-1.26	-1.27	-0.88	0.48***
(3)	0.04	0.01	0.01	0.03	0.33	0.29***
(4)	3.50	3.47	3.23	3.33	3.51	0.01
(5) (high)	11.66	11.56	10.40	11.36	13.13	1.47**
Diff. [(5)-(1)]	22.75***	19.98***	18.66***	17.49***	17.44***	
Panel E: NETEQ						
(1) (low)	-1.09	-2.01	-2.06	-2.75	-3.85	-2.76***
(2)	0.01	-0.12	-0.13	-0.14	-0.54	-0.55***
(3)	0.39	0.47	0.55	0.54	0.29	-0.10
(4)	1.88	1.97	2.09	2.01	1.55	-0.33
(5) (high)	20.41	23.10	23.57	17.94	10.92	-9.49***
Diff. [(5)-(1)]	21.50***	25.11***	25.63***	20.69***	14.77***	
Panel F: TXFIN						
(1) (low)	-12.01	-10.41	-10.34	-8.87	-8.15	3.86***
(2)	-1.36	-1.40	-1.39	-1.41	-1.42	-0.06
(3)	0.43	0.48	0.56	0.57	0.62	0.19***
(4)	5.39	5.44	5.32	5.34	5.06	-0.33***
(5) (high)	32.07	34.66	33.97	29.31	24.05	-8.02***
Diff. [(5)-(1)]	44.08***	45.07***	44.31***	38.18***	32.20***	

TXFIN quintile:	SIZE quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel H: FAIL5 (%)						
(1) (low)	32.51	14.05	6.82	3.45	0.95	-31.56***
(2)	33.12	13.04	7.08	3.26	0.81	-32.31***
(3)	35.40	15.43	7.91	3.33	0.69	-34.71***
(4)	37.99	18.91	8.84	5.48	1.13	-36.86***
(5) (high)	48.41	30.01	17.67	8.87	3.55	-44.86***
Diff. [(5)-(1)]	15.90***	15.96***	10.85***	5.42***	2.60***	
Panel I: RETpy (%)						
(1) (low)	-0.05	1.24	1.61	1.95	2.04	2.09***
(2)	-0.22	0.87	1.23	1.78	1.78	2.00***
(3)	-0.21	0.83	1.29	1.95	2.15	2.36***
(4)	-0.34	0.75	1.63	2.22	2.13	2.47***
(5) (high)	-0.40	1.39	2.93	3.42	3.94	4.34***
Diff. [(5)-(1)]	-0.35	0.15	1.32***	1.47***	1.90***	
Panel J: RET6m (%)						
(1) (low)	4.13	2.41	2.29	2.08	1.87	-2.26***
(2)	3.58	2.27	2.21	2.00	1.66	-1.92***
(3)	3.26	2.02	1.85	1.75	1.38	-1.88***
(4)	3.21	1.83	1.28	1.25	1.35	-1.86***
(5) (high)	2.39	0.85	0.64	0.56	0.80	-1.59***
Diff. [(5)-(1)]	-1.74***	-1.56***	-1.65***	-1.52***	-1.07***	
Panel K: RET1yr (%)						
(1) (low)	2.36	1.76	1.46	1.38	1.37	-0.99***
(2)	1.95	1.56	1.36	1.31	1.34	-0.61***
(3)	2.25	1.54	1.38	1.25	1.28	-0.97***
(4)	1.67	0.99	1.20	0.92	1.11	-0.56**
(5) (high)	0.88	0.41	-0.11	0.17	0.25	-0.63**
Diff. [(5)-(1)]	-1.48***	-1.35***	-1.57***	-1.21***	-1.12***	
Panel L: RET2-5yr (%)						
(1) (low)	1.87	1.50	1.54	1.47	1.25	-0.62***
(2)	1.78	1.58	1.47	1.34	1.32	-0.46***
(3)	1.80	1.49	1.39	1.38	1.31	-0.49***
(4)	1.63	1.50	1.33	1.32	1.33	-0.30**
(5) (high)	1.06	1.00	1.04	1.09	1.24	0.18*
Diff. [(5)-(1)]	-0.81***	-0.50***	-0.50***	0.38**	-0.01	

Table 12

	SIZE	BM	PROFIT	LEV	NETDEBT	NETEQ	TXFIN	FAIL1	FAIL5	RETpy	RET6m	RET1yr	RET2-5yr
Panel A: Correlation matrix													
SIZE	1.00												
BM	-0.50	1.00											
PROFIT	0.46 a	-0.02	1.00										
LEV	-0.34	0.74 d	-0.09	1.00									
NETDEBT	0.01	0.08	-0.10	0.19	1.00								
NETEQ	-0.10	-0.40 e	-0.59	-0.28	0.09	1.00							
TXFIN	-0.03	-0.37	-0.55 h	-0.16	0.28	0.91 m	1.00						
FAIL1	-0.76 b	0.26 f	-0.72 i	0.27 k	0.06	0.34 n	0.29 p	1.00					
FAIL5	-0.83	0.28	-0.77	0.27	0.06	0.41	0.35	0.97	1.00				
RETpy	0.46	-0.72	0.18	-0.57	-0.08	0.32	0.27	-0.38	-0.36	1.00			
RET6m	-0.42 c	0.72 g	0.40 j	0.42 l	-0.14	-0.59 o	-0.66 q	0.12	0.09 r	-0.53	1.00		
RET1yr	-0.31	0.58	0.36	0.21	-0.22	-0.69	-0.79	0.00	-0.04	-0.53 s	0.87	1.00 t	
RET2-5yr	-0.37	0.67	0.28	0.32	-0.15	-0.66	-0.71	-0.03	-0.02	-0.52	0.79	0.87	1.00
Panel B: Mean, standard deviation, minimum, and maximum													
Mean	2.99***	0.76***	4.71***	24.72***	3.36***	4.15***	5.34***	3.54***	14.51***	1.48***	1.93***	1.22***	1.38***
Std. dev.	0.90	0.37	10.11	11.36	8.84	7.69	10.22	3.56	10.41	1.81	0.82	0.49	0.19
Minimum	1.00	0.14	-25.92	0.52	-13.64	-4.94	-14.94	0.00	0.53	-5.32	-0.10	-0.38	0.75
Maximum	5.00	2.06	22.26	63.38	52.95	41.14	42.74	21.63	53.61	9.55	4.49	2.36	1.87
Panel C: Means for portfolio with lowest RET1yr (Last ptf. in Table 7)													
Mean	3.05	0.43	-5.89	26.59	18.59	21.57	40.16	7.00	26.73	2.69	0.34	-0.38	0.75
Panel D: Means for two portfolios (tied) with highest RET1yr (Last ptf. in Table 5 and first ptf. in Table 10, resp.)													
Mean	1.91	1.71	21.01	32.03	-4.45	-0.68	-5.13	4.63	17.50	0.02	4.49	2.36	1.70
Mean	1.00	1.38	4.29	39.71	-10.92	-1.09	-12.01	9.21	32.51	-0.05	4.13	2.36	1.87

Going forward, we are looking for…

- …evidence that candidate risk proxies have power to 'forecast' failure probability (FAIL1 or FAIL5)
- …evidence of return reversals from RETpy to RET6m, RET1yr, and RET2-5yr:
  - Rational return reversals tied to failure risk, versus
  - Mispricing return reversals tied to the PROFIT-and-TXFIN connection

Table 13, Panel B

Reg. no.	Intercept	SIZE	BM	PROFIT	LEV	NETDEBT	NETEQ	TXFIN	RETpy	RET6m	Adj. R^2
						Independent variable(s)					
Panel B. Dependent variable: FAIL5											
B1	43.295***	-9.624***									0.686
B2	8.346***		8.056***								0.077
B3	18.234***			-0.791***							0.588
B4	8.311***				0.251***						0.071
B5	14.260***					0.073					0.000
B6	12.218***						0.551***				0.163
B7	12.590***							0.359***			0.121
B8	17.578***								-2.082***		0.127
B9	12.383***									1.098	0.004
B10	39.511***	-7.498***	-3.954***	-0.474***	0.109***						0.881
B11	7.712***					0.004	0.955***		-2.554***	3.404***	0.463
B12	5.893**							0.679***	-2.106***	4.186***	0.389
B13	28.497***	-5.822***	-8.061***	-0.573***	0.145***	0.039*	0.211***		-0.113	4.063***	0.903
B14	27.472***	-5.721***	-7.924***	-0.597***	0.123***			0.183***	-0.030	4.676***	0.906
SW2	37.804***	-7.000***		-0.503***							0.874
SW3	37.957***	-7.360***		-0.428***				0.108***			0.879

Table 14, Panels A and B (OLS)

Reg. no.	Intercept	SIZE	BM	PROFIT	LEV	NETDEBT	NETEQ	TXFIN	RETpy	RET6m	Adj. R^2
						Independent variable(s)					
Panel A . Dependent variable: RETpy											
A1	-1.269***	0.917***									0.208
A2	4.185***		-3.543***								0.513
A3	1.320***			0.033***							0.030
A4	3.722***				-0.091***						0.324
A5	1.529***					-0.016					0.002
A6	1.165***						0.075***				0.098
A7	1.221***							0.048***			0.069
A8	n/a								n/a		n/a
A9	n/a									n/a	n/a
A10	3.832***	0.074	-3.199***	0.027***	-0.010						0.540
A11	n/a					n/a	n/a		n/a	n/a	n/a
A12	n/a							n/a	n/a	n/a	n/a
A13	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
A14	n/a	n/a	n/a	n/a	n/a			n/a	n/a	n/a	n/a
SW2	4.029***		-3.528***	0.031***							0.544
SW3	3.200***		-2.974***	0.060***			0.064***				0.580
Panel B. Dependent variable: RET6m											
B1	3.093***	-0.388***									0.177
B2	0.694***		1.620***								0.520
B3	1.781***			0.032***							0.156
B4	1.187***				0.030***						0.172
B5	1.977***					-0.013**					0.017
B6	2.195***						-0.063***				0.346
B7	2.214***							-0.053***			0.428
B8	2.289***								-0.241***		0.280
B9	n/a									n/a	n/a
B10	0.980***	-0.403***	1.351***	0.049***	-0.009***						0.808
B11	n/a					n/a	n/a		n/a	n/a	n/a
B12	n/a							n/a	n/a	n/a	n/a
B13	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a
B14	n/a	n/a	n/a	n/a	n/a			n/a	n/a	n/a	n/a
SW2	1.174***		1.244***					-0.036***			0.706
SW3	2.086***	-0.418***	1.126***	0.050***							0.803

Table 14, Panels C and D (OLS)

Reg. no.	Intercept	SIZE	BM	PROFIT	LEV	NETDEBT	NETEQ	TXFIN	RETpy	RET6m	Adj. R^2
Panel C. Dependent variable: RET1yr											
C1	1.730***	-0.171***									0.093
C2	0.624***		0.778***								0.331
C3	1.138***			0.017***							0.123
C4	0.993***				0.009***						0.041
C5	1.260***					-0.012***					0.044
C6	1.403***						-0.044***				0.471
C7	1.423***							-0.038***			0.623
C8	1.432***								-0.144***		0.276
C9	0.205***									0.525***	0.761
C10	1.261***	-0.162***	0.968***	0.023***	-0.016***						0.587
C11	0.608***					-0.006***	-0.017***		-0.030***	-0.387***	0.822
C12	0.750***							-0.019***	-0.036***	0.324***	0.856
C13	0.706***	0.036*	-0.025	-0.011***	-0.013***	-0.003**	-0.023***		-0.041***	0.497***	0.884
C14	0.833***	0.023	-0.030	-0.008***	-0.010***			-0.020***	-0.051***	0.419***	0.900
SW2	0.595***							-0.018***		0.374***	0.844
SW3	0.639***			-0.007***				-0.022***		0.380***	0.858
Panel D. Dependent variable: RET2-5yr											
D1	1.615***	-0.077***									0.132
D2	1.118***		0.346***								0.448
D3	1.359***			0.005***							0.074
D4	1.253***				0.005***						0.097
D5	1.394***					-0.003**					0.020
D6	1.450***						-0.016***				0.429
D7	1.453***							-0.013***			0.503
D8	1.464***								-0.054***		0.268
D9	1.032***									0.181***	0.618
D10	1.333***	-0.054***	0.404***	0.007***	-0.005***						0.620
D11	1.208***					-0.001*	-0.007***		-0.016***	0.121***	0.689
D12	1.247***							-0.007***	-0.019***	0.104***	0.706
D13	1.358***	-0.031***	0.221***	-0.001	-0.005***	-0.001*	-0.010***		-0.003	0.064***	0.752
D14	1.393***	-0.034***	0.219***	0.001	-0.004***			-0.008***	-0.008*	0.036**	0.756
SW2	1.250***		0.243***					-0.010***			0.690
SW3	1.273***		0.353***		-0.004***			-0.009***			0.721

Table 15, left half

Panel A: Selected output of factor analysis

	Factor 1	Factor 2	Var. incl. in f.a.?	Factor 1	Factor 2	Var. incl. in f.a.?	Factor 1	Factor 2	Factor 3	Var. incl. in f.a.?
Eigenvalue	5.19	3.94		3.60	2.14		3.11	1.61	0.37	
Corr. with:										
SIZE	-0.37	-0.82	Yes	-0.74	-0.30	Yes	-0.38	0.11	0.91	Yes
BM	0.67	0.22	Yes	0.92	-0.24	Yes	0.93	0.30	-0.37	Yes
PROFIT	0.32	-0.73	Yes	-0.23	-0.59	Yes	-0.15	0.83	0.48	Yes
LEV	0.27	0.20	Yes	0.71	-0.17	Yes	0.87	0.05	-0.12	Yes
NETDEBT	-0.20	-0.01	Yes	0.07	0.14	Yes	0.18	-0.22	0.12	No
NETEQ	-0.60	0.35	Yes	-0.24	0.96	Yes	-0.32	-0.73	-0.14	No
TXFIN	-0.70	0.26	Yes	-0.24	0.91	Yes	-0.22	-0.79	0.01	Yes
RETpy	-0.56	-0.32	Yes	-0.78	0.20	Yes	-0.77	-0.12	0.40	Yes
RET6m	0.90	0.10	Yes	0.74	-0.40	Yes	0.50	0.79	-0.47	Yes
RET1yr	0.97	0.01	Yes	0.58	-0.57	No	0.36	0.76	-0.41	No
RET2-5yr	0.91	0.00	Yes	0.62	-0.54	No	0.49	0.62	-0.36	No
FAIL1	-0.01	0.97	Yes	0.55	0.48	No	0.26	-0.40	-0.78	No
FAIL5	-0.01	0.99	Yes	0.57	0.55	No	0.28	-0.46	-0.81	No

Panel B: OLS regressions (intercepts not reported)

Dep. var.:	Factor 1	Factor 2	Adj. R^2	Factor 1	Factor 2	Adj. R^2	Factor 1	Factor 2	Factor 3	Adj. R^2
FAIL1	-0.024		-0.004	2.022***		0.295	1.030***			0.064
		3.476***	0.944		1.790***	0.225		-1.511***		0.154
	-0.035	3.476***	0.944	2.076***	1.852***	0.538			-3.320***	0.611
							0.554***	-1.500***	-3.175***	0.775
FAIL5	-0.127		-0.004	6.139***		0.319	3.240***			0.074
		10.311***	0.974		6.023***	0.299		-5.152***		0.211
	-0.160	10.311***	0.973	6.320***	6.212***	0.640			-10.095***	0.662
							1.841***	-5.131***	9.611***	0.887
RETpy	-1.037***		0.313	-1.456***		0.600	-1.551***			0.590
		-0.583***	0.100		0.376***	0.036		-0.241**		0.012
	-1.035***	-0.580***	0.413	-1.475***	0.333***	0.630			0.859***	0.157
							-1.436***	-0.152**	0.560***	0.658
RET6m	0.756***		0.811	0.630***		0.545	0.458***			0.247
		0.081	0.006		-0.346***	0.158		0.698***		0.630
	0.756***	0.079	0.820	0.621***	-0.328***	0.688			-0.462***	0.221
							0.333***	0.682***	-0.404***	0.994
RET1y	0.491***		0.947	0.295***		0.329	0.201***			0.130
		0.004	-0.004		-0.296***	0.322		0.403***		0.579
	0.491***	0.002	0.947	0.287***	-0.287***	0.634			-0.240***	0.164
							0.131***	0.497***	-0.220***	0.810
RET2-5yr	0.176***		0.824	0.122***		0.382	0.103***			0.235
		0.000	-0.004		-0.107***	0.284		0.126***		0.386
	0.176***	0.000	0.824	0.119***	-0.103***	0.649			-0.082***	0.129
							0.081***	0.122***	-0.067***	0.667

Table 15, right half

Factor 1	Factor 2	Var. incl. in f.a.?	Factor 1	Var. incl. in f.a.?	Factor 1	Var. incl. in f.a.?	Factor 1	Factor 2	Var. incl. in f.a.?	
1.93	1.47		0.66		1.09		1.72	1.17		
0.17	0.88	Yes	0.85	Yes	0.22	No	0.02	0.87	Yes	SIZE
0.38	-0.73	No	-0.72	No	-0.60	No	-0.51	-0.73	No	BM
0.85	0.43	Yes	0.38	No	-0.52	No	-0.63	0.29	No	PROFIT
0.17	-0.50	No	-0.53	No	-0.32	No	-0.26	-0.52	No	LEV
-0.18	0.03	No	-0.04	No	0.23	No	0.24	-0.05	No	NETDEBT
-0.79	0.09	No	0.13	No	0.82	No	0.87	0.03	No	NETEQ
-0.82	0.16	Yes	0.14	No	0.91	Yes	0.94	0.05	Yes	TXFIN
-0.19	0.72	Yes	0.85	Yes	0.44	No	0.36	0.74	Yes	RETpy
0.78	-0.64	Yes	-0.56	No	-0.91	Yes	-0.84	-0.66	Yes	RET6m
0.74	-0.54	No	-0.49	No	-0.91	No	-0.87	-0.49	No	RET1yr
0.63	-0.54	No	-0.52	No	-0.82	No	-0.77	-0.50	No	RET2-5yr
-0.45	-0.73	No	-0.67	No	0.10	No	0.25	-0.67	No	FAIL1
-0.52	-0.76	No	-0.70	No	0.15	No	0.32	-0.71	No	FAIL5

Factor 1	Factor 2	Adj. R^2	Factor 1	Adj. R^2	Factor 1	Adj. R^2	Factor 1	Factor 2	Adj. R^2	
-1.723***		0.199	-3.537***	0.447	0.421	0.006	1.080***		0.061	FAIL1
	-2.840***	0.536						-3.051***	0.450	
-1.821***	-2.902***	0.762					1.794***	-3.467***	0.617	
-5.771***		0.263	-10.760***	0.485	1.879**	0.018	3.978***		0.098	FAIL5
	-8.555***	0.570						-9.346***	0.500	
-6.065***	-8.763***	0.864					6.196***	-10.782***	0.730	
-0.369***		0.033	2.282***	0.727	0.981***	0.191	0.776***		0.125	RETpy
	1.419***	0.521						1.701***	0.546	
-0.322***	1.408***	0.547					0.447***	1.598***	0.585	
0.689***		0.608	-0.680***	0.311	-0.922***	0.827	-0.827***		0.706	RET6m
	-0.567***	0.402						-0.689***	0.433	
0.671***	-0.544***	0.981					-0.720***	-0.522***	0.945	
0.395***		0.552	-0.359***	0.238	-0.557***	0.835	-0.516***		0.761	RET1y
	-0.291***	0.291						-0.308***	0.238	
0.385***	-0.278***	0.819					-0.476***	-0.198***	0.855	
0.129***		0.400	-0.146***	0.268	-0.192***	0.676	-0.174***		0.590	RET2-5yr
	-0.112***	0.294						-0.121***	0.249	
0.125***	-0.108***	0.674					-0.157***	-0.084***	0.706	

Table 16 Two-stage LS regression

Reg. no.	Dep. var.	Intercept	FAIL5est	PROFIT	LEV	TXFIN	Adj. R^2	Reg. no.	Intercept	SIZE	BM	PROFIT	LEV	TXFIN	Adj. R^2
				Add'l ind. var's in 2nd-stage regr.:					Results of first-stage regression to obtain FAIL5est:						
Panel A. Pricing model A															
A1s2	RETpy	2.858***	-0.095***				0.184	A1s1	43.295***	-9.624***					0.686
A2s2	RET6m	1.349***	0.040***				0.130	A2s1	43.295***	-9.624***					0.686
A3s2	RET1yr	0.962***	0.018***				0.073	A3s1	43.295***	-9.624***					0.686
A4s2	RET2-5yr	1.266***	0.008***				0.097	A4s1	43.295***	-9.624***					0.686
Panel B. Pricing model B															
B1s2	RETpy	2.497***	-0.070***				0.104	B1s1	13.439***			-0.772***	0.190***		0.630
B2s2	RET6m	2.317***	-0.026***				0.054	B2s1	13.439***			-0.772***	0.190***		0.630
B3s2	RET1yr	1.462***	-0.017***				0.063	B3s1	13.439***			-0.772***	0.190***		0.630
B4s2	RET2-5yr	1.443***	-0.004***				0.027	B4s1	13.439***			-0.772***	0.190***		0.630
Panel C. Pricing model C															
C1s2	RETpy	9.843***	-0.467***	-0.337***			0.104	C1s1	13.439***			-0.772***	0.190***		0.630
C2s2	RET6m	-1.378***	0.173***	0.169***			0.245	C2s1	13.439***			-0.772***	0.190***		0.630
C3s2	RET1yr	0.121	0.056***	0.0615***			0.167	C3s1	13.439***			-0.772***	0.190***		0.630
C4s2	RET2-5yr	0.810***	0.030***	0.0290***			0.116	C4s1	13.439***			-0.772***	0.190***		0.630
Panel D. Pricing model D															
D1s2	RETpy	8.548***	-0.418***	-0.270***		0.050**	0.157	D1s1	14.030***			-0.799***	0.182***	-0.046	0.630
D2s2	RET6m	-0.453***	0.138***	0.122***		-0.036***	0.475	D2s1	14.030***			-0.799***	0.182***	-0.046	0.630
D3s2	RET1yr	1.148***	0.017**	0.008		-0.040***	0.681	D3s1	14.030***			-0.799***	0.182***	-0.046	0.630
D4s2	RET2-5yr	1.147***	0.017**	0.012***		-0.013***	0.484	D4s1	14.030***			-0.799***	0.182***	-0.046	0.630
Panel E. Pricing model E															
E1s2	RETpy	2.465***	-0.068***				0.132	E1s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
E2s2	RET6m	1.882***	0.004				-0.002	E2s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
E3s2	RET1yr	1.234***	-0.001				-0.003	E3s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
E4s2	RET2-5yr	1.367***	0.001				0.000	E4s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
Panel F. Pricing model F															
F1s2	RETpy	2.462***	-0.099***			0.083***	0.310	F1s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
F2s2	RET6m	1.877***	0.027***			-0.062***	0.529	F2s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
F3s2	RET1yr	1.243***	0.014***			-0.043***	0.689	F3s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880
F4s2	RET2-5yr	1.369***	0.007***			-0.016***	0.575	F4s1	39.511***	-7.598***	-3.954***	-0.474***	0.109***		0.880

Table 17 (accruals)

TXFIN quintile:	ACCRUALS quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]	TXFIN quintile:	ACCRUALS quintile: (1) (low)	(2)	(3)	(4)	(5) (high)	Diff. [(5)-(1)]
Panel B: BM							*Panel J:* FAIL5 (%)						
(1) (low)	0.96	0.90	0.84	0.84	0.86	-0.10*	(1) (low)	18.86	8.64	8.41	10.10	15.45	-3.41***
(2)	0.95	0.91	0.89	0.90	0.87	-0.08	(2)	20.68	9.78	8.94	9.90	14.28	-6.40***
(3)	0.86	0.81	0.76	0.76	0.72	-0.14**	(3)	21.69	9.91	7.81	8.80	14.49	-7.20***
(4)	0.74	0.74	0.74	0.74	0.70	-0.04	(4)	21.34	9.19	9.91	9.37	14.53	-6.81***
(5) (high)	0.47	0.53	0.55	0.55	0.53	0.07	(5) (high)	35.18	19.02	14.98	15.36	20.64	-14.54***
Diff. [(5)-(1)]	-0.50***	-0.37***	-0.29***	-0.29***	-0.33***		Diff. [(5)-(1)]	16.32***	10.38***	6.57***	5.26***	5.19***	
Panel C: PROFIT (%)							*Panel K:* RETpy (%)						
(1) (low)	13.88	12.00	9.65	7.11	-0.50	-14.38***	(1) (low)	0.60	1.55	1.69	1.48	1.63	1.03***
(2)	9.45	10.25	8.26	5.84	-0.22	-9.67***	(2)	0.15	1.01	1.26	1.20	1.41	1.26***
(3)	7.19	9.25	8.24	5.70	-0.92	-8.11***	(3)	0.30	1.18	1.43	1.43	1.58	1.28***
(4)	6.26	9.24	7.24	4.95	-1.34	-7.60***	(4)	0.28	1.54	1.43	1.53	1.92	1.64***
(5) (high)	-7.53	0.06	0.80	-0.53	-7.33	0.20	(5) (high)	1.21	2.44	2.31	2.75	2.92	1.71***
Diff. [(5)-(1)]	-21.41***	-11.95***	-8.85***	-7.64***	-6.83***		Diff. [(5)-(1)]	0.61***	0.89***	0.62***	1.27***	1.29***	
Panel G: TXFIN							*Panel L:* RET6m (%)						
(1) (low)	-12.74	-8.51	-8.23	-8.80	-11.99	0.75*	(1) (low)	3.06	2.67	2.53	2.26	2.32	-0.74***
(2)	-1.38	-1.45	-1.42	-1.38	-1.29	0.09	(2)	2.98	2.52	2.23	2.19	2.25	-0.73***
(3)	0.52	0.55	0.55	0.54	0.51	-0.01	(3)	2.55	2.07	2.04	1.90	1.86	-0.69***
(4)	5.38	5.22	5.21	5.24	5.42	0.04	(4)	1.83	1.74	1.68	1.60	1.59	-0.24
(5) (high)	37.79	29.44	28.64	29.65	30.62	-7.17***	(5) (high)	0.82	1.28	1.30	0.94	0.57	-0.26
Diff. [(5)-(1)]	50.53***	37.95***	36.87***	38.45***	42.61***		Diff. [(5)-(1)]	-2.24***	-1.39***	-1.23***	-1.32***	-1.75***	
Panel H: ACCRUALS (%)							*Panel M:* RET1yr (%)						
(1) (low)	-20.34	-8.32	-4.79	-1.81	6.22	25.56***	(1) (low)	1.92	1.87	1.70	1.43	1.30	-0.62***
(2)	-19.37	-8.21	-4.76	-1.80	4.78	24.15***	(2)	1.77	1.58	1.47	1.39	1.47	-0.30**
(3)	-20.88	-8.15	-4.77	-1.75	5.25	26.13***	(3)	1.94	1.66	1.54	1.52	1.16	-0.78***
(4)	-19.87	-8.23	-4.77	-1.73	5.19	25.06***	(4)	1.46	1.38	1.16	1.06	0.78	-0.68***
(5) (high)	-22.70	-8.26	-4.73	-1.72	6.67	29.37***	(5) (high)	0.19	0.32	0.58	0.31	0.10	-0.09
Diff. [(5)-(1)]	-2.36**	0.06	0.06	0.09	0.45		Diff. [(5)-(1)]	-1.73***	-1.55***	-1.13***	-1.12***	-1.20***	