

Table Internet Appendix 1: Adding a Time Trend

This table reports time-series regression results at the aggregate level. The annual market return at year  $t$ ,  $R_t$ , is the cumulative value- or equal-weighted return from April of year  $t$  until March of year  $t+1$  (value weights are based on beginning-of-period market capitalization).  $\Delta X_{t+1}$  denotes the growth in the cross-sectional sum of operating income from years  $t$  and  $t+1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$ ) over April of year  $t$  through March year  $t+1$ . Aggregate illiquidity,  $ILLIQ_t$ , is measured as the equal-weighted cross-sectional average of firm-level annual estimates. Finally,  $\Delta ILLIQ_t$  is defined as the error term in the following estimated regression:  $ILLIQ_t = a + b \cdot ILLIQ_{t-1} + \zeta_t$ . The  $t$ -statistics are reported in square brackets. The data includes NYSE, AMEX, and NASDAQ December fiscal year-end firms with data for the period 1952 to 2013.

Panel A: Equal-weighted returns							
Dependent variable	Independent variables					$R^2$	Adj- $R^2$
	Intercept	$\Delta X_{t+1}$	$\Delta X_{t+1} \cdot \Delta ILLIQ_t$	$\Delta ILLIQ_t$	Time Trend		
$R_t$	-0.094 [-0.78]	0.205 [1.84]	-0.362 [-5.52]	0.024 [1.63]		0.54	0.51
$R_t$	3.591 [2.58]	0.227 [1.89]	-0.351 [-5.96]		-0.002 [-2.60]	0.55	0.52
$R_t$	4.052 [2.06]	0.234 [1.98]	-0.347 [-5.18]	-0.005 [-0.21]	-0.002 [-2.10]	0.55	0.51
Panel B: Value-weighted returns							
Dependent variable	Independent variables					$R^2$	Adj- $R^2$
	Intercept	$\Delta X_{t+1}$	$\Delta X_{t+1} \cdot \Delta ILLIQ_t$	$\Delta ILLIQ_t$	Time Trend		
$R_t$	-0.025 [-0.18]	0.125 [0.99]	-0.242 [-4.32]	0.023 [1.37]		0.38	0.34
$R_t$	3.342 [1.56]	0.15 [1.18]	-0.229 [-4.71]		-0.002 [-1.60]	0.39	0.35
$R_t$	3.228 [0.94]	0.148 [1.12]	-0.23 [-4.09]	0.001 [0.04]	-0.002 [-0.95]	0.39	0.34

Table Internet Appendix 2: Firm-Level Regressions Using Illiquidity Changes

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), (Columns 1 and 2) and pooled regressions (Columns 3 and 4) with 2-way clustering by firm and year. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the end of the return window for year  $t-1$ . The change in illiquidity of a firm,  $\Delta ILLIQ_{i,t}$ , is the log ratio of  $ILLIQ_{i,t}$  to  $ILLIQ_{i,t-1}$ , where  $ILLIQ_{i,t}$  is measured as the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$ ) over April of year  $t$  through March year  $t+1$ .  $SIZE_{i,t}$  is the natural logarithm of total assets, and  $BM_{i,t}$  is the book-to-market value of equity ratio, both for year  $t$ .  $LOSS_{i,t}$  is an indicator variable equal to one when firm operating income is negative for year  $t$ , and zero otherwise.  $OPA_{i,t}$  is the average firm-year-rank of three separate measures of opacity from Lang, Lins, and Maffett (2012): Accuracy, Bias, and Analyst Following.  $DISPERS_{i,t}$  is the standard deviation of the most recent analysts' EPS forecasts for year  $t$ , scaled by the stock price of firm  $i$  at the end of the return window for year  $t-1$ .  $PRC VOLAT_{i,t}$  is the standard deviation of price for year  $t$ .  $EARN VOLAT_{i,t}$  is the standard deviation of net income for the five previous years. The data for the first model includes 93,594 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1952 to 2013. The second model includes 33,533 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1976 to 2013. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

	Dependent Variable: $R_{i,t}$			
	-1	-2	-3	-4
$\Delta X_{i,t+1}/MVE_{i,t-1}$	0.383 [6.10]	0.324 [9.85]	0.226 [5.12]	0.309 [5.29]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot \Delta ILLIQ_{i,t}$	-0.288 [-3.17]	-0.219 [-4.60]	-0.11 [-4.57]	-0.139 [-3.28]
$\Delta ILLIQ_{i,t}$	-0.268 [-22.73]	-0.22 [-15.79]	-0.282 [-14.70]	-0.284 [-8.55]
$SIZE_{i,t}$		-0.011 [-1.82]		-0.014 [-1.87]
$BM_{i,t}$		-0.066 [-3.84]		-0.03 [-2.13]
$LOSS_{i,t}$		0.068 [2.79]		0.04 [0.59]
$OPA_{i,t}$		0.025 [4.37]		0.027 [4.47]
$DISPERS_{i,t}$		-1.691 [-7.09]		-1.77 [-4.59]
$PRC VOLAT_{i,t}$		0.005 [4.20]		0 [0.85]
$EARN VOLAT_{i,t}$		0 [-0.40]		0 [0.16]
Avg. Adj- $R^2$	0.229	0.294	0.456	0.249

Table Internet Appendix 3: Different Methods of Estimating Illiquidity Shocks

This table reports time-series regression results at the aggregate level. The annual market return at year  $t$ ,  $R_t$ , is the cumulative value- or equal-weighted return from April of year  $t$  until March of year  $t+1$  (value weights are based on beginning-of-period market capitalization).  $\Delta X_{t+1}$  denotes the growth in the cross-sectional sum of operating income from years  $t$  and  $t+1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$ ) over April of year  $t$  through March year  $t+1$ . Aggregate illiquidity,  $ILLIQ_t$ , is measured as the equal-weighted cross-sectional average of firm-level annual estimates. Finally,  $\Delta ILLIQ_t$  is defined using three different methods. First, it is the difference between the actual and expected values using coefficients based on the following estimated regression:  $ILLIQ_t = a + b \cdot ILLIQ_{t-1} + \zeta_t$  where the regression is estimated using a recursive window, meaning the error term is estimated for the first 10 years using an in-sample regression and then for each subsequent year the window is expanded by 1 year such that all previous years are used to estimate the error term for the last year in the coefficients in the regression. Second, it is the difference between the actual and expected value using coefficients from the same regression, but where the regression is estimated using a rolling 10-year window using the previous 10 years of data. Third, it is estimated using first differences or the year-to-year change in  $ILLIQ_t$ . Aggregate Volatility,  $VOLAT_t$  is calculated as the standard deviation of the value-weighted market return. The  $t$ -statistics are reported in square brackets. The data includes NYSE, AMEX, and NASDAQ December fiscal year-end firms with data for the period 1952 to 2013.

	Equal-Weight Returns				Value-Weight Returns			
	AR(1)	Recursive, Expanding	Rolling 10-year	First Difference	AR(1)	Recursive, Expanding	Rolling 10-year	First Difference
Intercept	0.086 [0.29]	0.1 [0.66]	0.07 [0.54]	0.11 [0.95]	0.273 [1.11]	0.15 [0.90]	-0.03 [-0.42]	0 [-0.05]
$\Delta X_{t+1}$	0.061 [0.21]	-0.03 [-0.20]	0.11 [0.89]	0.07 [0.61]	-0.069 [-0.29]	-0.06 [-0.34]	0.2 [3.20]	0.18 [2.97]
$\Delta X_{t+1} \cdot \Delta ILLIQ_t$	-0.32 [-5.19]	-0.44 [-1.76]	-0.54 [-2.24]	-0.51 [-2.61]	-0.176 [-3.98]	-0.45 [-1.94]	-0.39 [-2.11]	-0.35 [-2.33]
$\Delta ILLIQ_t$	0.027 [1.58]	0.23 [0.96]	0.43 [1.65]	0.49 [2.69]	0.014 [0.87]	0.31 [1.21]	0.32 [1.45]	0.33 [2.13]
$\Delta X_{t+1} \cdot \Delta VOLAT_t$	0.19 [0.75]	0.12 [0.88]	-0.35 [-2.09]	-0.28 [-1.74]	0.216 [0.99]	0.2 [1.87]	-0.2 [-1.65]	-0.15 [-1.14]
$\Delta VOLAT_t$	-0.241 [-1.01]	-0.06 [-0.42]	0.36 [1.97]	0.28 [1.70]	-0.341 [-1.72]	-0.17 [-1.85]	0.18 [1.56]	0.12 [0.95]
$R^2$	0.53	0.16	0.13	0.13	0.43	0.14	0.14	0.12
Adj- $R^2$	0.49	0.08	0.05	0.05	0.37	0.06	0.05	0.03

Table Internet Appendix 4: Aggregate Analysis for Sample Ending 2007

This table reports time-series regression results at the aggregate level. The annual market return at year  $t$ ,  $R_t$ , is the cumulative value- or equal-weighted return from April of year  $t$  until March of year  $t+1$  (value weights are based on beginning-of-period market capitalization).  $\Delta X_{t+1}$  denotes the growth in the cross-sectional sum of operating income from years  $t$  and  $t+1$ . Aggregate earnings are the value-weighted average of firm-level operating income and the equal-weighted average of firm-level operating income is also included in addition to the aggregate, which is described above. The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$  over April of year  $t$  through March year  $t+1$ ). Aggregate illiquidity,  $ILLIQ_t$ , is measured as the equal-weighted cross-sectional average of firm-level annual estimates. Finally,  $\Delta ILLIQ_t$  is defined as the error term in the following estimated regression:  $ILLIQ_t = a + b \cdot ILLIQ_{t-1} + \zeta_t$ . The  $t$ -statistics are reported in square brackets. The data includes NYSE, AMEX, and NASDAQ December fiscal year-end firms with data for the period 1952 to 2007.

Dependent variable	Independent Variable				$R^2$	Adj- $R^2$
	Intercept	$\Delta X_{t+1}$	$\Delta X_{t+1} \cdot \Delta ILLIQ_t$	$\Delta ILLIQ_t$		
$R_t$	-0.13 [-1.00]	0.23 [1.91]	-0.33 [-5.09]	0.03 [1.77]	0.48	0.45
$R_t$	-0.01 [-0.08]	0.11 [0.86]	-0.21 [-4.24]	0.03 [1.27]	0.29	0.25

Table Internet Appendix 5: Firm-Level Analysis for Sample Ending 2007

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), and pooled regressions with 2-way clustering by firm and year. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the end of the return window for year  $t-1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$ ) over April of year  $t$  through March year  $t+1$ . The data includes firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1952 to 2007. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

	Dependent Variable: $R_{i,t}$	
	FM	Pooled
$\Delta X_{i,t+1}/MVE_{i,t-1}$	0.657	0.209
	[5.80]	[3.55]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot ILLIQ_{i,t}$	-0.156	-0.037
	[-5.84]	[-4.16]
$ILLIQ_{i,t}$	-0.019	-0.027
	[-5.47]	[-5.17]
Avg. Adj- $R^2$	0.062	0.028

Table Internet Appendix 6: Two-Years-Ahead Earnings

This table reports the results of firm-level annual cross-sectional regressions. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the end of the return window for year  $t-1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$  over April of year  $t$  through March year  $t+1$ ). We require firms have more than 5 annual observations for this regression. The data includes 105,975 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1952 to 2013. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All models include year fixed effects. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

Dependent Variable: $R_{i,t}$	
$\Delta X_{i,t+2}/MVE_{i,t}$	0.902 [9.05]
$ILLIQ_{i,t}$	-0.016 [-4.80]
$\Delta X_{i,t+2}/MVE_{i,t} \cdot ILLIQ_{i,t}$	-0.06 [3.27]
$Adj-R^2$	0.039

Table Internet Appendix 7: Firm-Level Quarterly Analysis

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), and pooled regressions with 2-way clustering by firm and year-quarter. The quarterly returns of firm  $i$  at quarter  $t$ ,  $R_{i,t}$  is the cumulative return during the year-quarter.  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the year-to-year change in quarterly net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the beginning of quarter  $t$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$ ) over the quarter. The data includes 628,090 firm-year observations of NYSE, AMEX, and NASDAQ firms for the period 1952 to 2013. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

	Fama-Macbeth (1973)		Pooled	
	Dependent Variable: $R_{i,t}$			
$\Delta X_{i,t+1}/MVE_{i,t-1}$	0.103	0.263	0.084	0.088
	[1.67]	[2.91]	[4.39]	[4.49]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot ILLIQ_{i,t}$		-0.352		-0.0001
		[-1.69]		[-1.93]
$ILLIQ_{i,t}$		-0.003		-0.002
		[-1.80]		[-1.74]
Avg. Adj- $R^2$	0.008	0.003	0.001	0.002

Table Internet Appendix 8: Aggregate-Level Quarterly Analysis

This table reports time-series regression results at the aggregate level. The quarterly market returns at year  $t$ ,  $R_t$ , is the cumulative value- or equal-weighted returns with value weights based on beginning-of-period market capitalization.  $\Delta$  denotes the growth in the cross-sectional sum of operating income from quarter  $t$  to quarter  $t+1$ .  $\Delta GNP_{t+1}$  denotes the real growth in the quarterly gross national product from quarter  $t$  to quarter  $t+1$ .  $\Delta PROD_{t+1}$  denotes the growth in quarterly industrial production from quarter  $t$  to quarter  $t+1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$ , is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by 106) over April of year  $t$  through March year  $t+1$ . Aggregate illiquidity,  $ILLIQ_t$ , is measured as the equal-weighted cross-sectional average of firm-level quarterly estimates. Finally,  $\Delta ILLIQ_t$  is defined as the error term in the following estimated regression:  $ILLIQ_t = a + b \cdot ILLIQ_{t-1} + \zeta_t$ . The table also includes regressions based upon liquidity ranks, using five ranks. The  $t$ -statistics are reported in square brackets. The regressions using  $\Delta X_{t+1}$  includes December fiscal year-end firms with data for the period 1952 to 2014, while the regressions using  $\Delta GNP_{t+1}$  and  $\Delta PROD_{t+1}$  includes December fiscal year-end firms with data for the period 1952 to 2014.

Panel A: Equal-weighted returns						Panel B: Value-weighted returns							
Dependent variable	Independent variables				$R^2$	Adj- $R^2$	Dependent variable	Independent variables				$R^2$	Adj- $R^2$
	Intercept	$\Delta X_{t+1}$	$\Delta ILLIQ_t$	$\Delta X_{t+1} \cdot \Delta ILLIQ_t$				Intercept	$\Delta X_{t+1}$	$\Delta ILLIQ_t$	$\Delta X_{t+1} \cdot \Delta ILLIQ_t$		
$R_t$	0.039 [6.19]	-0.002 [-0.30]	0.099 [-5.36]	-0.025 [-1.86]	0.10	0.09	$R_t$	0.028 [5.97]	0.006 [1.27]	-0.060 [-4.51]	-0.017 [-1.71]	0.08	0.07
Dependent variable	Independent variables				$R^2$	Adj- $R^2$	Dependent variable	Independent variables				$R^2$	Adj- $R^2$
	Intercept	$\Delta GNP_{t+1}$	$\Delta ILLIQ_t$	$\Delta GNP_{t+1} \cdot \Delta ILLIQ_t$				Intercept	$\Delta GNP_{t+1}$	$\Delta ILLIQ_t$	$\Delta GNP_{t+1} \cdot \Delta ILLIQ_t$		
$R_t$	-0.007 [-2.31]	0.014 [10.34]	0.002 [0.21]	-0.006 [-2.22]	0.10	0.09	$R_t$	-0.002 [-0.29]	0.010 [3.79]	0.028 [4.32]	-0.003 [-1.82]	0.07	0.06
Dependent variable	Independent variables				$R^2$	Adj- $R^2$	Dependent variable	Independent variables				$R^2$	Adj- $R^2$
	Intercept	$\Delta PROD_{t+1}$	$\Delta ILLIQ_t$	$\Delta PROD_{t+1} \cdot \Delta ILLIQ_t$				Intercept	$\Delta PROD_{t+1}$	$\Delta ILLIQ_t$	$\Delta PROD_{t+1} \cdot \Delta ILLIQ_t$		
$R_t$	0.018 [6.88]	0.558 [8.35]	-0.006 [-0.78]	-0.276 [-1.90]	0.09	0.07	$R_t$	0.015 [3.47]	0.410 [2.75]	0.025 [4.80]	-0.159 [-2.18]	0.08	0.07

Table Internet Appendix 9: Firms with and without Analyst Coverage

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), (Panel A) and pooled regressions (Panel B) with 2-way clustering by firm and year. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the end of the return window for year  $t-1$ . The illiquidity of a firm,  $ILLIQ_{i,t}$  is measured as the natural logarithm of the average daily ratio of absolute value of return and dollar volume (multiplied by  $10^6$  over April of year  $t$  through March year  $t+1$ ). The data for the sample with and without analysts' forecasts has 55,140 and 50,835 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1952 to 2013, respectively. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

	Dependent Variable: $R_{i,t}$			
	With Analysts Forecasts		Without Analysts Forecasts	
	FM	Pooled	FM	Pooled
$\Delta X_{i,t+1}/MVE_{i,t-1}$	0.244 [7.01]	0.178 [2.51]	0.579 [5.33]	0.24 [3.12]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot ILLIQ_{i,t}$	-0.062 [-4.22]	-0.032 [-4.80]	-0.136 [-5.31]	-0.05 [-2.44]
$ILLIQ_{i,t}$	-0.016 [-3.70]	-0.017 [-3.65]	-0.023 [-6.71]	-0.05 [-5.55]
Avg. Adj- $R^2$	0.052	0.052	0.064	0.061

Table Internet Appendix 10: Firm-Level Sadka Measures of Illiquidity Scaled by Assets

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), and pooled regressions with firm and year fixed effects. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/TA_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the total assets of firm  $i$  at the end of the return window for year  $t-1$ . The illiquidity of a firm is measured using the Sadka (2006) firm-level Variable Permanent component ( $VP_t$ ) and Fixed Transitory ( $FT_t$ ) components of price impacts. The  $t$ -statistics are reported in square brackets. The data includes 18,354 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1993 to 2012. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

Dependent Variable: $R_{i,t}$		
Variable	Fama-Macbeth	Pooled
	(1)	(2)
$\Delta X_{i,t+1}/TA_{i,t-1}$	1.281 [6.64]	1.059 [3.27]
$\Delta X_{i,t+1}/TA_{i,t-1} \cdot VP_{i,t}$	0.121 [1.43]	-0.070 [-1.70]
$VP_{i,t}$	0.007 [1.22]	-0.022 [-0.88]
$\Delta X_{i,t+1}/TA_{i,t-1} \cdot FT_{i,t}$	-1.360 [-3.41]	-0.181 [-3.03]
$FT_{i,t}$	-0.053 [-0.79]	-0.036 [-1.22]
<u>Avg. Adj-<math>R^2</math></u>	<u>0.075</u>	<u>0.295</u>

Table Internet Appendix 11: Firm-Level Sadka Measures of Illiquidity with Additional Controls

This table reports the results of both the time-series of firm-level cross-sectional regressions, or Fama-Macbeth (1973), and pooled regressions with firm and year fixed effects. The annual returns of firm  $i$  at year  $t$ ,  $R_{i,t}$  is the cumulative return from April of year  $t$  until March of year  $t+1$ .  $\Delta X_{i,t+1}/MVE_{i,t-1}$  denotes the change in net income from years  $t$  and  $t+1$ , scaled by the market value of firm  $i$  at the end of the return window for year  $t-1$ . The illiquidity of a firm is measured using the Sadka (2006) firm-level Variable Permanent component ( $VP_t$ ) and Fixed Transitory ( $FT_t$ ) components of price impacts. The  $t$ -statistics are reported in square brackets. The data includes 18,354 firm-year observations of NYSE, AMEX, and NASDAQ firms with a December fiscal year-end for the period 1993 to 2012. The sample is restricted to include only those stocks with at least 100 daily return observations and a prior day closing price of at least 2. All continuous variables used in tests are winsorized at the 1 and 99 percentiles.

Dependent Variable: $R_{i,t}$		
Variable	Fama-Macbeth	Pooled
	(1)	(2)
$\Delta X_{i,t+1}/MVE_{i,t-1}$	0.521 [5.50]	0.580 [3.06]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot VP_{i,t}$	-0.038 [-1.50]	-0.105 [-4.77]
$VP_{i,t}$	0.008 [1.02]	-0.033 [-1.18]
$\Delta X_{i,t+1}/MVE_{i,t-1} \cdot FT_{i,t}$	-0.419 [-3.06]	-0.050 [-1.74]
$FT_{i,t}$	-0.057 [-0.91]	-0.043 [-1.62]
$SIZE_{i,t}$	-0.008 [-1.39]	-0.017 [-1.75]
$BM_{i,t}$	-0.081 [-3.67]	-0.001 [-1.31]
$Avg. Adj-R^2$	0.104	0.039