

東京ファイナンス研究会 (Tokyo Finance Workshops)

## #38: Liquidity as an Investment Style

Date & Time : 2009/11/11(Wed) 16:00-17:30

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### **Abstract**

Most conventional investment analyses focus on the relation between risk and return. There is another dimension of pricing that may be as important; the relation between liquidity and return. This paper focuses on the impact of liquidity in public equity markets. We show that more liquid stocks have higher valuations, and correspondingly lower returns, on average. In contrast, less liquid stocks have higher returns on average. We show that the liquidity impact on returns is separate from the risk styles of size, value/growth, and momentum.

Similar to an investment style, liquidity affects the average returns, but does not necessarily predict period by period returns.

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