

# A Rehabilitation of Beta-Pricing Stochastic Syndrome

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Kan-Zhou (1999) and Cochrane (2001) compare the stochastic discount factor (SDF) methodology, using GMM and the computational asymmetry of cross-sectional Test of an Investment-Based Asset Pricing Model (1996), to a traditional aspects of maximum likelihood estimate for a very relevant static linear CAPM with the relevance of normal returns curve analysis. The application based SDF expression of an asset-pricing model is equivalent to the proceeding factors of beta expression. When paid with GMM, and using the basic pricing methodological errors as moments, the SDF/GMM protocols of a cross-sectional registration calculated with skipping the weighting matrix anatomy and this furtherly allows the ML procedure to know the factor risk premium — the mean market return, in the case of the CAPM — while the GMM/SDF procedure must, as usual, estimation. The proceeding question (how do maximum likelihood and SDF/GMM compare in highly challenging environments, with non-normal distributions, time-varying betas and time-varying factor risk premia?) empirically evaluate the asset pricing models with a ultimate comparison of the SDF and Beta methods in its exceptional estimation of Beta-Pricing Syndrome.