**"Speculative Betas"**

**by Harrison Hong and David Sraer**

**Instructions for replicating data and results:**

This file is called readme.pdf and is contained in the root directory of the zip file speculativebetas.zip, available from David Sraer’s website.

If you see any mistakes or need additional information for replication, please contact David Sraer at [sraer@berkeley.edu](mailto:sraer@berkeley.edu)

Once unzipped, the folder "speculativebetas" contains all the data and programs necessary to replicate our results, with the exception of 5 datasets that need to be downloaded. In order to replicate our results, follow these steps:

**1/** Download the following datasets:

1. Daily stock returns for different sub-period from WRDS (variable date permno ret)

🡪 CRSP50\_70.dta for 01/01/1950 to 12/31/1970

🡪 CRSP69\_79.dta for 01/01/1969 to 12/31/1979

🡪 CRSP80\_90.dta for 01/01/1980 to 12/31/1990

🡪 CRSP91\_96.dta for 01/01/1991 to 12/31/1996

🡪 CRSP97\_02.dta for 01/01/1997 to 12/31/2002

🡪 CRSP03\_10.dta for 01/01/2003 to 12/31/2010

🡪 CRSP11\_12.dta for 01/01/2011 to 12/31/2012

🡪 CRSP13\_14.dta for 01/01/2013 to 12/31/2014

1. Monthly stock returns from 1979 to 2014 from WRDS (variable permno date ret prc exchcd vol shrout)

🡪 CRSP\_monthly\_79\_14.dta

1. Stock-level dispersion of analysts’ forecast of long-term growth of EPS (variable permno year month stdevwin meanestwin) constructed by Yu (JFE, 2011) and updated by Yu

🡪 merged\_updated.dta

1. Analysts disagreement on aggregate earnings of S&P 500, from Jialin Yu (JFE, 2011).

🡪topdown\_disag.dta

1. Dispersion of macro-forecasts from the spf, obtained from Li and Li (2014) (variable year month and spf)

🡪 disag\_series.dta

**2/** Place these 7 files in the folder "source".

**3/** In the folder “programs”, in the files “master.do”, fill in the right address for the do files folder “programs” so that it matches the location on your computer.

**4/** All the programs (STATA do files) are contained in the folder "programs". Simply run the main do file "master.do", which will call the various other do files. All the data output generated will be placed in a folder “output”, all the tables generated will be in a folder “tables”, all the figures generated will be placed in the folder "figures".

**Note:** the do files contain a precise verbal description of every step of the procedure, and should be easy to understand.

We also provide two additional .dta files in the folder and one additional do file in the program file – these allow to replicate the main analysis of our paper in Table 3 panel A and Table 5:

* 20\_beta\_sorted\_portfolios.dta contains the value-weighted returns of 20 beta sorted portfolios excluding microcaps, penny stocks and using NYSE thresholds. BETA\_1 is the post ranking, full sample beta of each portfolio. Ret\_rf is the current return, ret\_rfk the k month return from month t+1 to t+k. group is the rank of the portfolio beta (1=bottom, 20=top portfolio). mktrf (resp. hml, smb, umd) is the current market return (resp. return on hml, smb and umd), mktrf\_i (resp. hml\_i, smb\_i, umd\_i) is the return of the market (resp. return on hml, smb and umd) from month t+1 to t+k. aggregate\_disp\_daily is aggregate disagreement computed from betas estimated with daily returns. TED is the current ted spread; inflation the current one year inflation; dp the dividend price ratio for the market, pe the price to earnings ratio.
* 40\_beta\_portfolios\_spec\_nonspec.dta contains the value-weighted returns of 20 beta sorted portfolios constructed from speculative stocks and 20 beta portfolios constructed from non-speculative stocks. The sample excludes microcaps, penny stocks and uses NYSE thresholds. BETA\_1 is the post ranking, full sample beta of each portfolio and SIGMA\_1 the post ranking full sample idiosyncratic volatility of the portfolio. sigma\_daily is the median volatility of stocks in the portfolios. Spec=1 for speculative stocks and 0 for non-speculative stocks. Ret\_rf is the current return, ret\_rfk the k month return from month t+1 to t+k. group is the rank of the portfolio beta (1=bottom, 20=top portfolio). mktrf (resp. hml, smb, umd) is the current market return (resp. return on hml, smb and umd), mktrf\_i (resp. hml\_i, smb\_i, umd\_i) is the return of the market (resp. return on hml, smb and umd) from month t+1 to t+k. aggregate\_disp\_daily is aggregate disagreement computed from betas estimated with daily returns. TED is the current ted spread; inflation the current one year inflation; dp the dividend price ratio for the market, pe the price to earnings ratio. group is the rank of the portfolio beta (1=bottom, 20=top portfolio for non speculative stocks; 21=bottom, 40=top portfolio for speculative stocks).

- main table.do contains a program to run the main analysis of the paper presented in Table 3 (panel A) and Table 5.