

**Fama, Eugene F.; French, Kenneth R.**

**Common risk factors in the returns on stocks and bonds.** (English) Zbl 1131.91335  
*J. Financ. Econ.* 33, No. 1, 3-56 (1993).

Summary: This paper identifies five common risk factors in the returns on stocks and bonds. There are three stock-market factors: an overall market factor and factors related to firm size and book-to-market equity. There are two bond-market factors, related to maturity and default risks. Stock returns have shared variation due to the stock-market factors, and they are linked to bond returns through shared variation in the bond-market factors. Except for low-grade corporates, the bond-market factors capture the common variation in bond returns. Most important, the five factors seem to explain average returns on stocks and bonds.

**MSC:**

**91G70** Statistical methods; risk measures

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