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Long-Run Stockholder Consumption Risk and Asset Returns

by [Christopher J. Malloy](#), Tobias J. Moskowitz and Annette Vissing-Jorgensen

Abstract

We provide new evidence on the success of long-run risks in asset pricing by focusing on the risks borne by *stockholders*. Exploiting micro-level household consumption data, we show that long-run stockholder consumption risk better captures cross-sectional variation in average asset returns than aggregate or non-stockholder consumption risk, and provides more plausible economic magnitudes. We find that risk aversion estimates around 10 can match observed risk premia for the wealthiest stockholders across sets of test assets that include the 25 Fama and French size and value portfolios, the market portfolio, bond portfolios, and the entire cross-section of stocks.

Keywords: [Asset Pricing](#); [Stocks](#); [Investment Return](#); [Investment Portfolio](#); [Risk Management](#);

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