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Evaluating the performance of value versus glamour stocks The impact of selection bias

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Abstract

We examine whether sample selection bias explains the difference in returns between "value" stocks (high book-to-market ratios) and "glamour" stocks (low book-to-market ratios). Selection bias on Compustat is not a severe problem: for CRSP primary domestic firms, the proportion missing from Compustat is not large and the average return is not very different from the Compustat sample. Mechanical problems with matching Cusip identifiers account for much of the discrepancy between CRSP and Compustat. The superior performance of value stocks is confirmed for the top quintile of NYSE-Amex stocks, using a sample free from selection bias.



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Keywords

Selection bias; Anomalies; Book-to-market ratio; Matching CRSP and Compustat

JEL classification

G12; G14; M41

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