

Internet Appendix to “Time-disaggregated  
dividend-price ratio and dividend growth predictability  
in large equity markets”

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# 1 MiDaS regressions with two MiDaS terms

We start by estimating equation

$$\Delta d_{t+1} = c_0 + c_1 \Delta w \overline{DY}_t^m + c_2 w DY_{t-1}^m + u_{t+1} , \quad (S1)$$

where  $\Delta w \overline{DY}_t^m = \sum_{j=0}^{11} w_j \text{GDY}_{t,j}^m$ ,  $\text{GDY}_{t,j}^m = (d_{t-j/12}^m - p_{t-j/12}^m) - (d_{t-1-j/12}^m - p_{t-1-j/12}^m)$  and  $w DY_t^m = \sum_{j=0}^{11} w'_j DY_{t-j/12}^m$ .

Table 1: Regressions for the predictability of dividend growth  
MiDaS - Smoothed DY (equation (S1))

					F-test	With restriction	
					$H_0: c_1 = c_2$	$c_2 = 0$	
	$c_1$	p-value	$c_2$	p-value	p-value	$c_1$	p-value
U.S.	-0.11	0.04	-0.02	0.59	0.07	-0.17	0.04
U.K.	-0.12	0.06	-0.03	0.60	0.08	-0.22	0.00
Canada	-0.22	0.02	-0.01	0.81	0.00	-0.21	0.04
Japan	-0.17	0.06	0.01	0.61	0.02	-0.22	0.05

Table 2: MiDaS with quarterly dividends

					With restriction	
					$c_2 = 0$	
	$c_1$	p-value	$c_2$	p-value	$c_1$	p-value
U.S.	-0.03	0.63	0.01	0.80	-0.12	0.24
U.K.	-0.03	0.56	-0.02	0.71	-0.13	0.16
Canada	-0.04	0.44	-0.03	0.46	-0.07	0.80
Japan	-0.06	0.53	-0.01	0.65	-0.57	0.66

This table presents the results of a MiDaS estimation of equation (S1) with the use of quarterly data (four subperiods each year).  $p$ -values correspond to Newey-West t-statistics.

Table 3: Longer horizon MiDas regressions for dividend growth predictability (Newey-West  $p$ -values in parantheses)

$i$	With restriction $c_2 = 0$									
	2		3		4		2	3	4	
	$c_1$	$c_2$	$c_1$	$c_2$	$c_1$	$c_2$	$c_1$	$c_2$	$c_1$	
U.S.	-0.14 (0.05)	-0.02 (0.46)	-0.16 (0.03)	-0.01 (0.45)	-0.14 (0.09)	-0.01 (0.69)	-0.18 (0.03)	-0.17 (0.01)	-0.22 (0.02)	
U.K.	-0.10 (0.08)	-0.01 (0.40)	-0.03 (0.07)	-0.01 (0.45)	-0.08 (0.09)	0.02 (0.44)	-0.10 (0.10)	-0.09 (0.12)	-0.15 (0.00)	
Canada	-0.19 (0.01)	-0.02 (0.22)	-0.18 (0.04)	0.01 (0.54)	-0.19 (0.09)	0.02 (0.54)	-0.23 (0.02)	-0.25 (0.07)	-0.31 (0.02)	
Japan	-0.24 (0.05)	-0.04 (0.08)	-0.16 (0.06)	-0.01 (0.82)	-0.22 (0.16)	-0.01 (0.53)	-0.41 (0.08)	-0.37 (0.09)	-0.35 (0.13)	

This table presents the results of the estimation of equation  $\Delta d_{t+i} = c_0 + c_1 \Delta w \overline{\text{DY}}_t^m + c_2 w \text{DY}_{t-1}^m + u_{t+i}$  with  $i = 2, 3$  and 4.  $p$ -values in parentheses correspond to Newey-West  $t$ -statistics.

Table 4: In-sample adjusted  $R^2$  (%) of MiDaS regressions for dividend growth predictability

$i$	With restriction $c_2 = 0$							
	1	2	3	4	1	2	3	4
U.S.	12	22	24	22	15	20	21	19
U.K.	14	19	17	12	21	22	25	24
Canada	18	23	13	12	16	19	22	23
Japan	12	23	14	16	17	21	21	18

This table presents the values of the in-sample adjusted  $R^2$  of equations  $\Delta d_{t+i} = c_0 + c_1 \Delta w \overline{\text{DY}}_t^m + c_2 \overline{\text{DY}}_{t-1}^m + u_{t+i}$  with  $i = 1, 2, 3$  and 4.

Table 5: Short term MiDaS predictions of dividend growth

Panel A		With restriction					
(dep. var. $d_{t+1}^{s1} - d_t^{s2}$ )		$c_2 = 0$					
		$c_1$	p-value	$c_2$	p-value	adj. $R^2$ (%)	adj. $R^2$ (%)
U.S.		-0.21	0.09	0.05	0.40	21	15
U.K.		-0.34	0.04	0.02	0.76	9	8
Canada		-0.05	0.10	-0.01	0.88	11	17
Japan		-0.56	0.06	0.01	0.57	16	17
Panel B		With restriction					
(dep. var. $d_{t+1}^{q1} - d_t^{q4}$ )		$c_2 = 0$					
		$c_1$	p-value	$c_2$	p-value	adj. $R^2$ (%)	adj. $R^2$ (%)
U.S.		-0.11	0.08	0.01	0.57	6	8
U.K.		-0.38	0.09	0.07	0.50	7	5
Canada		-0.10	0.13	0.04	0.32	7	11
Japan		-0.86	0.06	0.04	0.57	6	2

This table presents the results of the estimation of equations  $d_{t+1}^{s1} - d_t^{s2} = c_0 + c_1 \Delta w \overline{DY}_t^m + c_2 w DY_{t-1}^m + u_{t+1}$  (panel A) and  $d_{t+1}^{q1} - d_t^{q4} = c_0 + c_1 \Delta w \overline{DY}_t^m + c_2 w DY_{t-1}^m + u_{t+1}$  (panel B), where  $d_t^{si}$  and  $d_t^{qi}$  are the log dividends paid within  $i$ -th semester and  $i$ -th quarter of year  $t$ , respectively, for each index.  $p$ -values correspond to Newey-West  $t$ -statistics.

## 2 Predicted vs Realized Dividend Growth

Figure S1: MiDas predictions vs realized dividend growth

