

INDUSTRIAL SYSTEMATIC RISKS AND BUSINESS CYCLES IN US ECONOMY

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ABSTRACT

This paper examines financial linkage of systematic risks for forty-eight industry portfolio returns to the cyclical movement of US economy. Time-varying beta coefficients of Capital Asset Pricing Model (CAPM) are estimated and Granger-causality tests are carried out for identifying the significance of the industrial linkage to the market cycle of US economy. The empirical finding shows that the strength and the causality of industrial financial linkage to the US economy vary depending on the types of industry and the shocks in the systematic risk. Some industries including the returns of real estate, equipment, computer, gas and mining, auto and materials and textile industries are relatively vulnerable to the market business cycles of U.S. general economy.

Keywords: *Systematic, risk, cycle, CAPM*