



## Asset Allocation

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### Long Horizon Predictability: A Cautionary Tale

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Long-horizon return regressions have effectively small sample sizes. Using overlapping long-horizon returns provides only marginal benefit. Adjustments for overlapping observations have greatly overstated t-statistics. The evidence from regressions at multiple horizons is often misinterpreted. As a result, there is much less statistical evidence of long-horizon return predictability than implied by existing research, casting doubt over claims about forecasts based on stock market valuations and factor timing.

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