Ta ble 2*
Tests for the Martingale Property of *Z(t)*

$$\Delta Z(t) = \alpha_0 + \alpha_1\, \Delta Z(t\text{-}1) + \alpha_2\, t$$

Full Sample, 1960.1-2001.9 (NOB = 499)			R^2 = .0597	Durbin h = .905	F test = 31.57
	α_0 = -.0007	α_1 = .2439		Std. Error of Reg. = .0342	
	(-.461)	(5.62)			
			R^2 = .0598	Durbin h = .907	F test = 15.79
	α_0 = -.0014	α_1 = .2440	α_1 = .00002	Std. Error of Reg. = .0342	
	(-.353)	(3.09)	(.241)		
Subsample, 1990.1-2001.9 (NOB = 139)			R^2 = .0421	Durbin h = .232	F test = 6.01
	α_0 = .0010	α_1 = .2220		Std. Error of Reg. = .0415	
	(.279)	(2.45)			
			R^2 = .0598	Durbin h = .233	F test = 3.57
	α_0 = -.0055	α_1 = .2198	α_2 = .00009	Std. Error of Reg. = .0415	
	(-.742)	(2.37)	(.857)		
Subsample, 1980.1-1989.12 (NOB = 118)			R^2 = .1033	Durbin h = 2.47	F test = 13.36
	α_0 = .0005	α_1 = .3207		Std. Error of Reg. = .0391	
	(.137)	(3.56)			
			R^2 = .1063	Durbin h = 2.68	F test = 6.84
	α_0 = .0044	α_1 = .3178	α_2 = -.00007	Std. Error of Reg. = .0391	
	(.531)	(2.85)	(-.569)		
Subsample, 1970.1-1979.12 (NOB = 118)			R^2 = .0480	Durbin h = .753	F test = 5.85
	α_0 = .0004	α_1 = .2182		Std. Error of Reg. = .0190	
	(.281)	(2.42)			
			R^2 = .0480	Durbin h = .849	F test = 2.90
	α_0 = .0004	α_1 = .2182	α_2 = .00000	Std. Error of Reg. = .0191	
	(.104)	(2.41)	(.001)		

Subsample, 1960.1-1969.12 (NOB = 118)				R^2 = .0537		Durbin h = .581		F test = 6.58
α_0 =	-.0024 (-.457)	α_1 =	.2302 (2.57)			Std. Error of Reg. = .0579		
				R^2 = .0622		Durbin h = .362		F test = 3.81
α_0 =	-.0120 (-.811)	α_1 =	.2253 (1.14)	α_2 =	.0002 (.910)		Std. Error of Reg. = .0579	

* Values in brackets below coefficient estimate are t-test values for the hypothesis that the coefficient equals zero. For the regressions with a time trend, heteroskedasticity adjusted standard errors (White's adjustment) are used to calculate the t-value. For regressions without time trends, the t-values are based on unadjusted standard errors.

Table 3*
Tests for the Martingale Property of *ZY(t)*

$$\Delta ZY(t) = \alpha_0 + \alpha_1\, \Delta ZY(t\text{-}1) + \alpha_2\, t$$

Full Sample, 1960.1-2001.9 (NOB = 499)				R^2 = .0624		Durbin h = .987	F test = 33.03
α_0 =	.0060	α_1 =	.2493			Std. Error of Reg. = .3845	
	(.351)		(5.75)				
				R^2 = .0655		Durbin h = 1.07	F test = 17.35
α_0 =	-.0014	α_1 =	.2456	α_1 =	.0002	Std. Error of Reg. = .3842	
	(-.519)		(1.65)		(.828)		
Subsample, 1990.1-2001.9 (NOB = 139)				R^2 = .0389		Durbin h = .784	F test = 5.50
α_0 =	.0862	α_1 =	.2094			Std. Error of Reg. = .3574	
	(2.73)		(2.34)				
				R^2 = .0481		Durbin h = .784	F test = 3.41
α_0 =	.0259	α_1 =	.2027	α_2 =	.0009	Std. Error of Reg. = .3570	
	(.601)		(1.88)		(.963)		
Subsample, 1980.1-1989.12 (NOB = 118)				R^2 = .0292		Durbin h = 1.62	F test = 3.46
α_0 =	.0648	α_1 =	.1642			Std. Error of Reg. = .0573	
	(7.38)		(1.86)				
				R^2 = .0382		Durbin h = 1.46	F test = 2.27
α_0 =	.0556	α_1 =	.1591	α_2 =	.00016	Std. Error of Reg. = .0573	
	(3.61)		(1.38)		(1.10)		
Subsample, 1970.1-1979.12 (NOB = 118)				R^2 = .0545		Durbin h = .943	F test = 6.63
α_0 =	-.0310	α_1 =	.2336			Std. Error of Reg. = 1.495	
	(-.225)	(2.58)					
				R^2 = .0546		Durbin h = 1.08	F test = 3.29
α_0 =	-.0434	α_1 =	.2337	α_2 =	.0002	Std. Error of Reg. = 1.495	
	(-.126)		(2.36)		(.050)		

Subsample, 1960.1-1969.12 (NOB = 118)				R^2 = .0549		Durbin h = .522	F test = 6.67
α_0 =	-.0326 (-.285)	α_1 =	.2353 (2.58)			Std. Error of Reg. = 1.237	
				R^2 = .0643		Durbin h = 1.19	F test = 3.92
α_0 =	-.2483 (-.779)	α_1 =	.2270 (1.21)	α_2 =	.0036 (.930)	Std. Error of Reg. = 1.237	

* Values in brackets below coefficient estimate are t-test values for the hypothesis that the coefficient equals zero. For the regressions with a time trend, heteroskedasticity adjusted standard errors (White's adjustment) are used to calculate the t-value. For regressions without time trends, the t-values are based on unadjusted standard errors.

Table 4*

Tests for the Martingale Property of *Y(t)*

$$\Delta Y(t) = \alpha_0 + \alpha_1\, \Delta Y(t\text{-}1) + \alpha_2\, t$$

Full Sample, 1960.1-2001.9 (NOB = 499)				R^2 = .0524		Durbin h = 1.43	F test = 27.53
α_0 =	.0357	α_1 =	.2312			Std. Error of Reg. = .9216	
	(.864)		(5.25)				
				R^2 = .0525		Durbin h = 1.47	F test = 13.75
α_0 =	.0487	α_1 =	.2313	α_1 =	-.00005	Std. Error of Reg. = .9225	
	(.485)		(4.25)		(-.157)		
Subsample, 1990.1-2001.9 (NOB = 139)				R^2 = .0341		Durbin h = .644	F test = 4.83
α_0 =	.0619	α_1 =	.1941			Std. Error of Reg. = .8734	
	(.829)		(2.20)				
				R^2 = .0416		Durbin h = .663	F test = 3.57
α_0 =	.1957	α_1 =	.1905	α_2 =	-.0019	Std. Error of Reg. = .8732	
	(1.65)		(1.98)		(-.874)		
Subsample, 1980.1-1989.12 (NOB = 118)				R^2 = .1187		Durbin h = 2.53	F test = 15.63
α_0 =	.0385	α_1 =	.3438			Std. Error of Reg. = .6437	
	(.647)		(3.95)				
				R^2 = .1217		Durbin h = 2.72	F test = 7.97
α_0 =	-.0288	α_1 =	.3409	α_2 =	.0011	Std. Error of Reg. = .6454	
	(-.211)		(2.66)		(.553)		
Subsample, 1970.1-1979.12 (NOB = 118)				R^2 = .0509		Durbin h = .040	F test = 6.28
α_0 =	-.0418	α_1 =	.2261			Std. Error of Reg. = .9747	
	(-.467)		(2.51)				
				R^2 = .0513		Durbin h = .081	F test = 3.13
α_0 =	-.0718	α_1 =	.2258	α_2 =	.0005	Std. Error of Reg. = .9788	
	(-.338)		(2.44)		(.194)		

Subsample, 1960.1-1969.12 (NOB = 118)				R^2 = .0421		Durbin h = 1.30	F test = 5.09
α_0 =	.0835 (.780)	α_1 =	.2067 (2.26)			Std. Error of Reg. = 1.157	
				R^2 = .0523		Durbin h = 1.20	F test = 3.17
α_0 =	.2916 (1.29)	α_1 =	.1999 (1.70)	α_2 =	-.0035 (-1.07)	Std. Error of Reg. = 1.157	

* Values in brackets below coefficient estimate are t-test values for the hypothesis that the coefficient equals zero. For the regressions with a time trend, heteroskedasticity adjusted standard errors (White's adjustment) are used to calculate the t-value. For regressions without time trends, the t-values are based on unadjusted standard errors.

Figure 1: Interest Rate Detrended S&P Composite Index

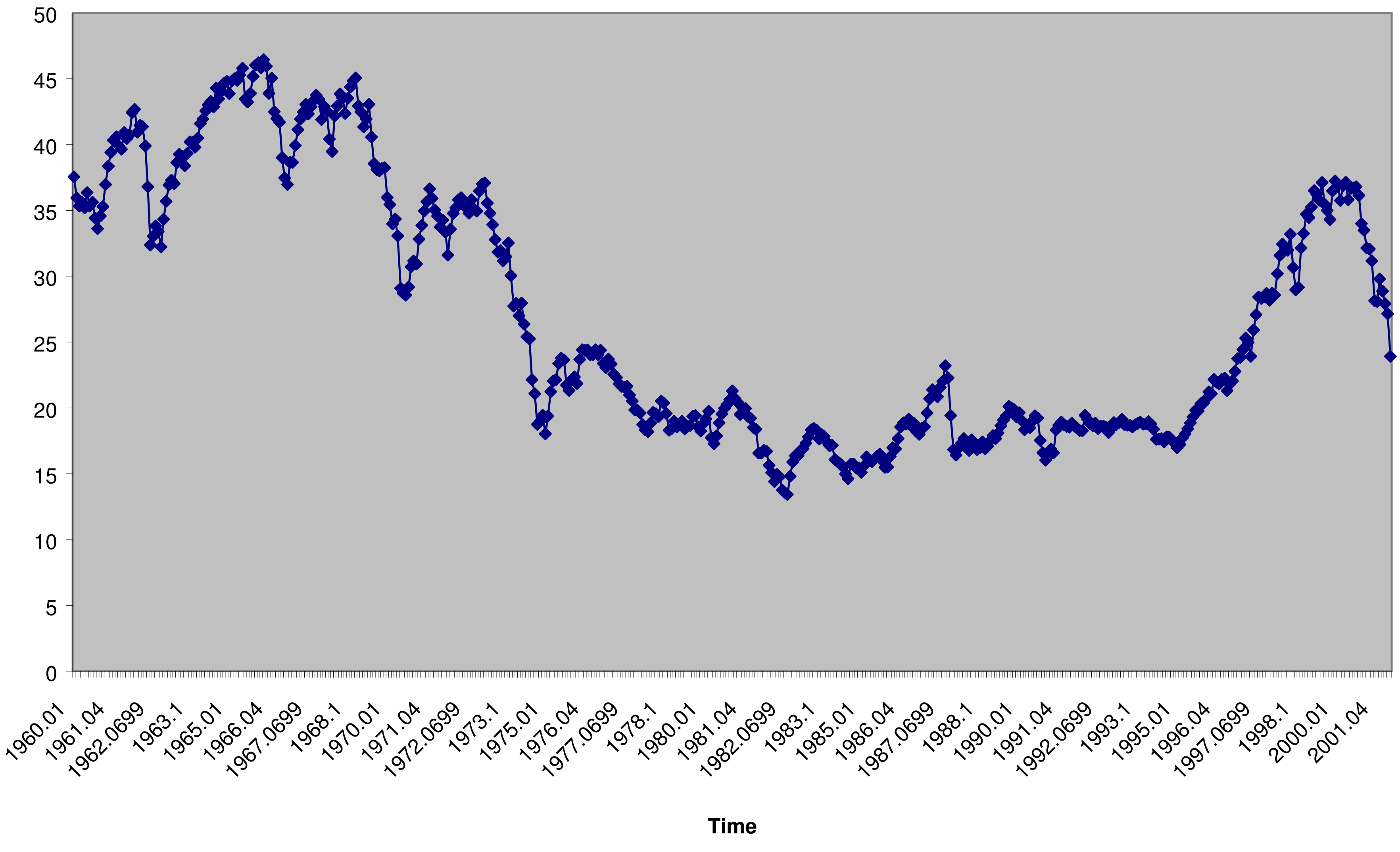

Figure 2: Interest Rate Detrended Dividends for the S&P Composite Index

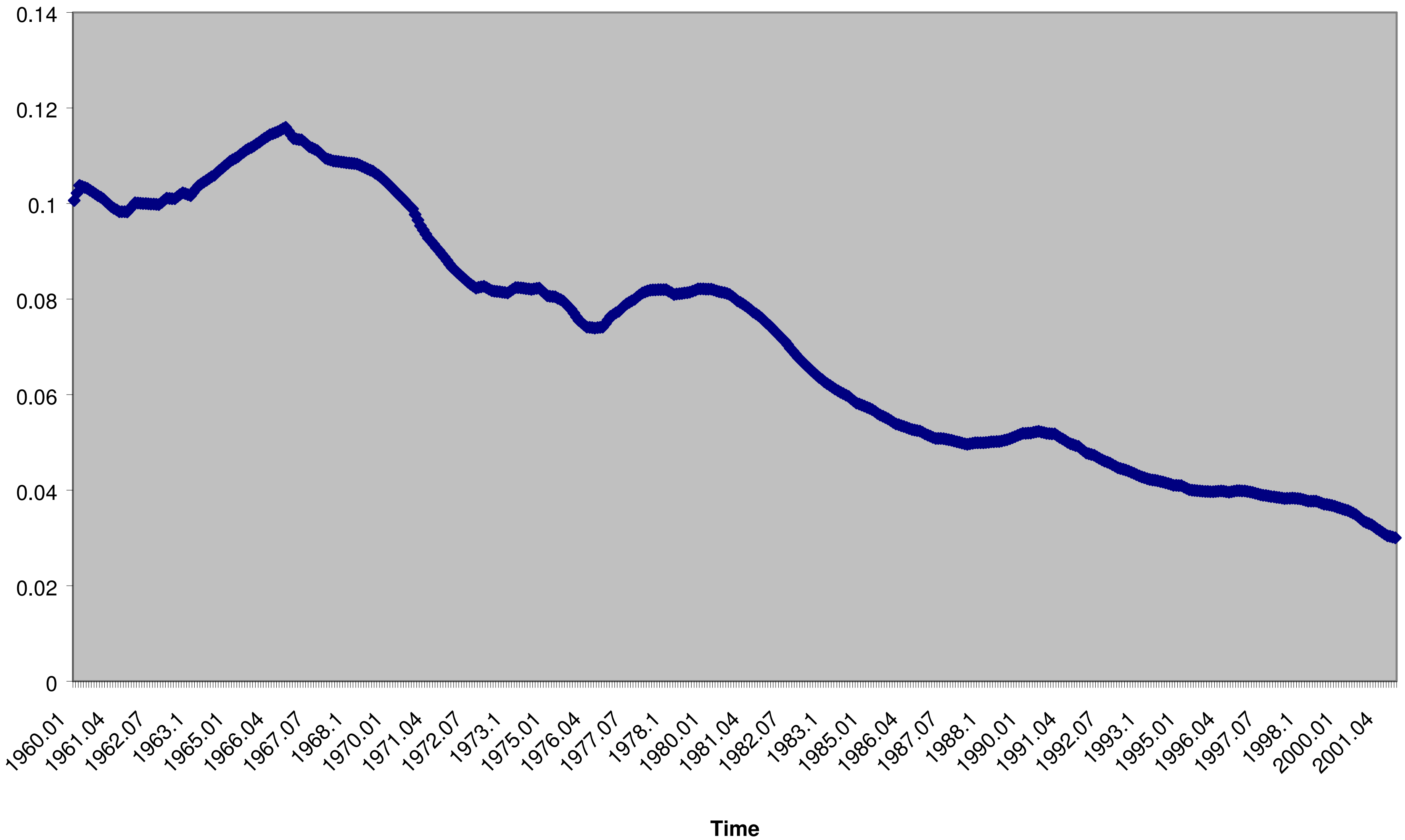

Figure 3: CPI Deflated (1980=100) S&P Composite Index

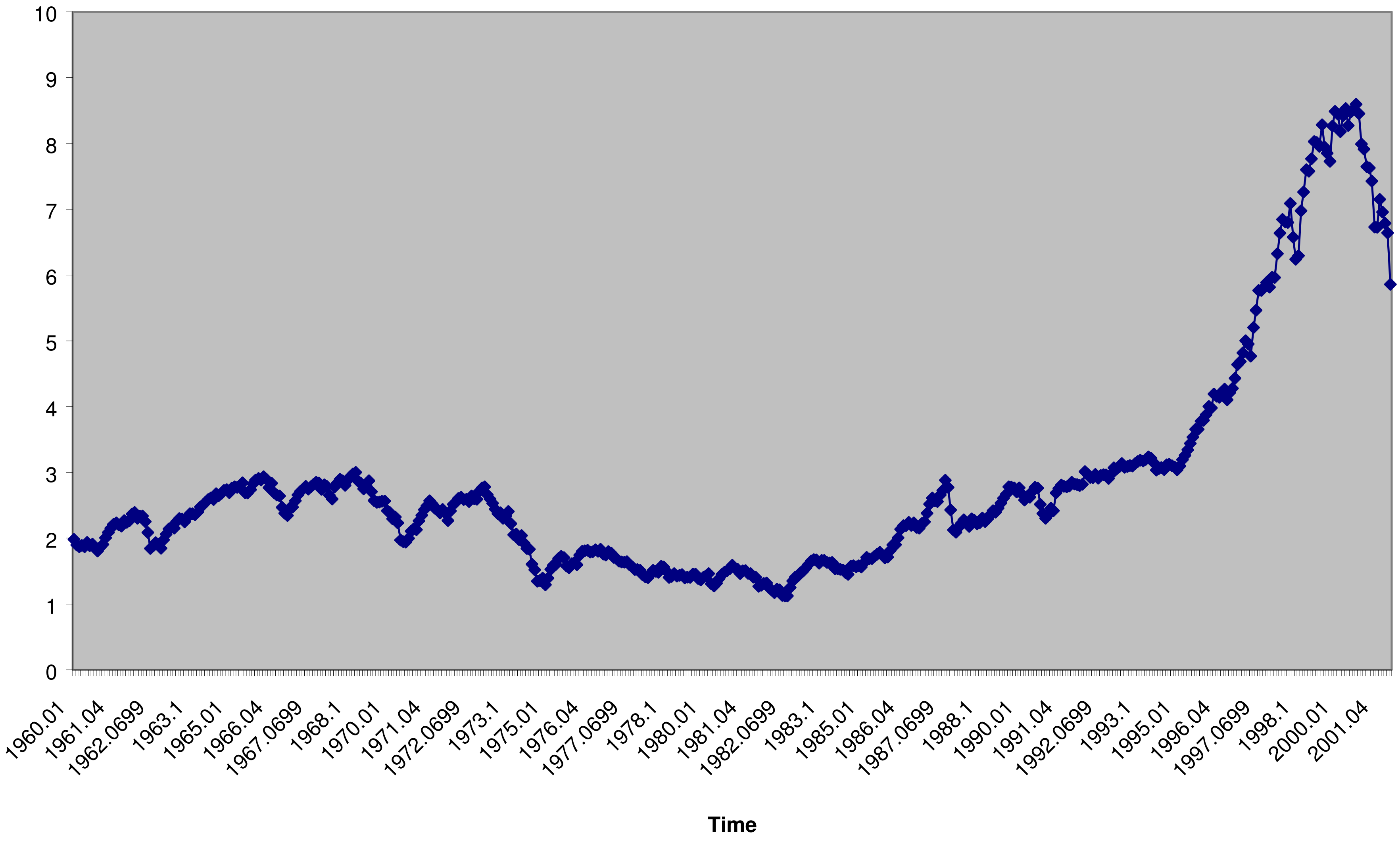

Figure 4: Absence of Arbitrage Detrender Function, Z(t)

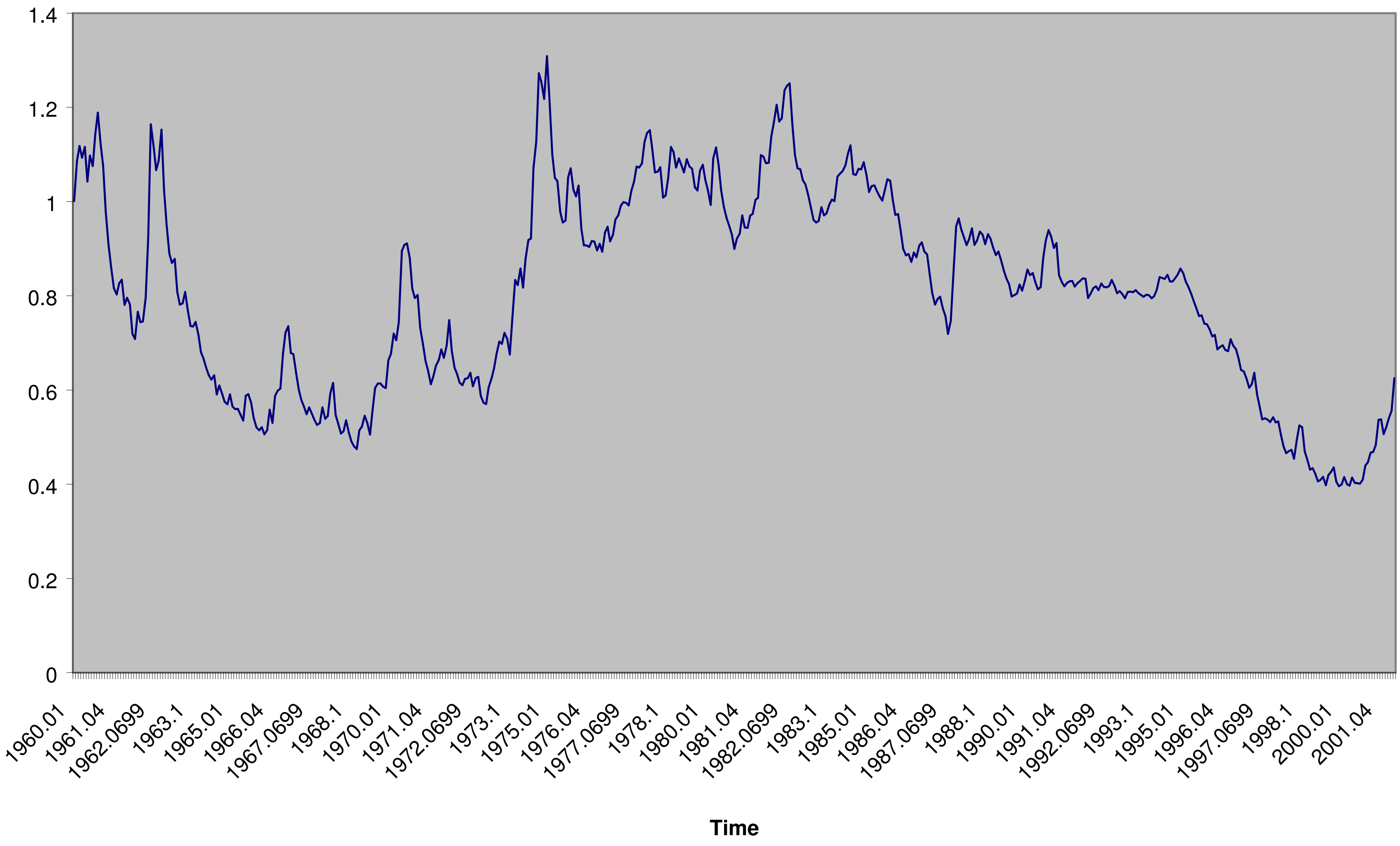

Figure 5: Interest Rate Deflated and Z(t) Detrended, ZY(t)

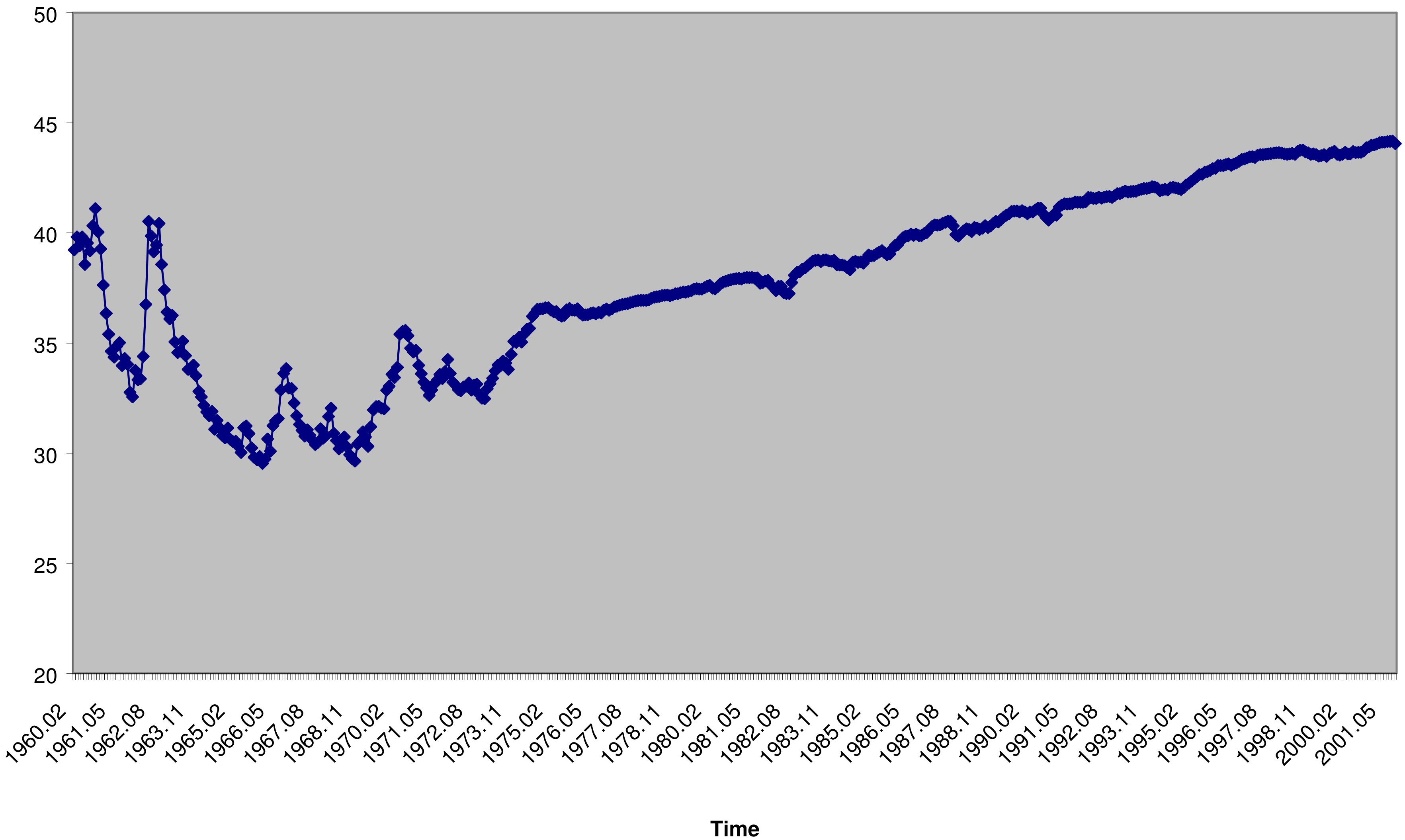

Figure 6: Comparison of Y(t) and ZY(t), 1990-2001

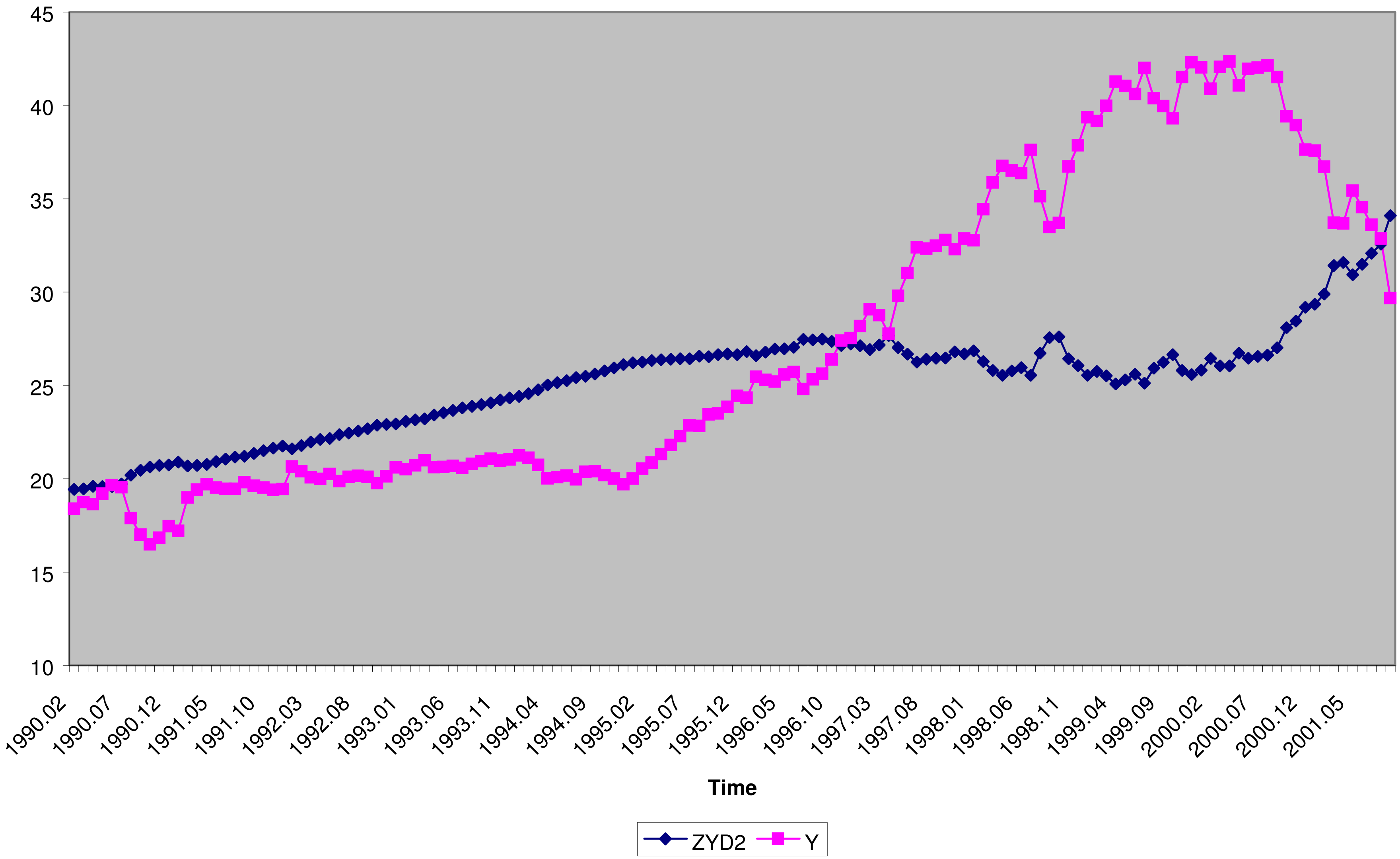

Figure 7: Comparison of Y(t) and ZY(t), 1970-1980

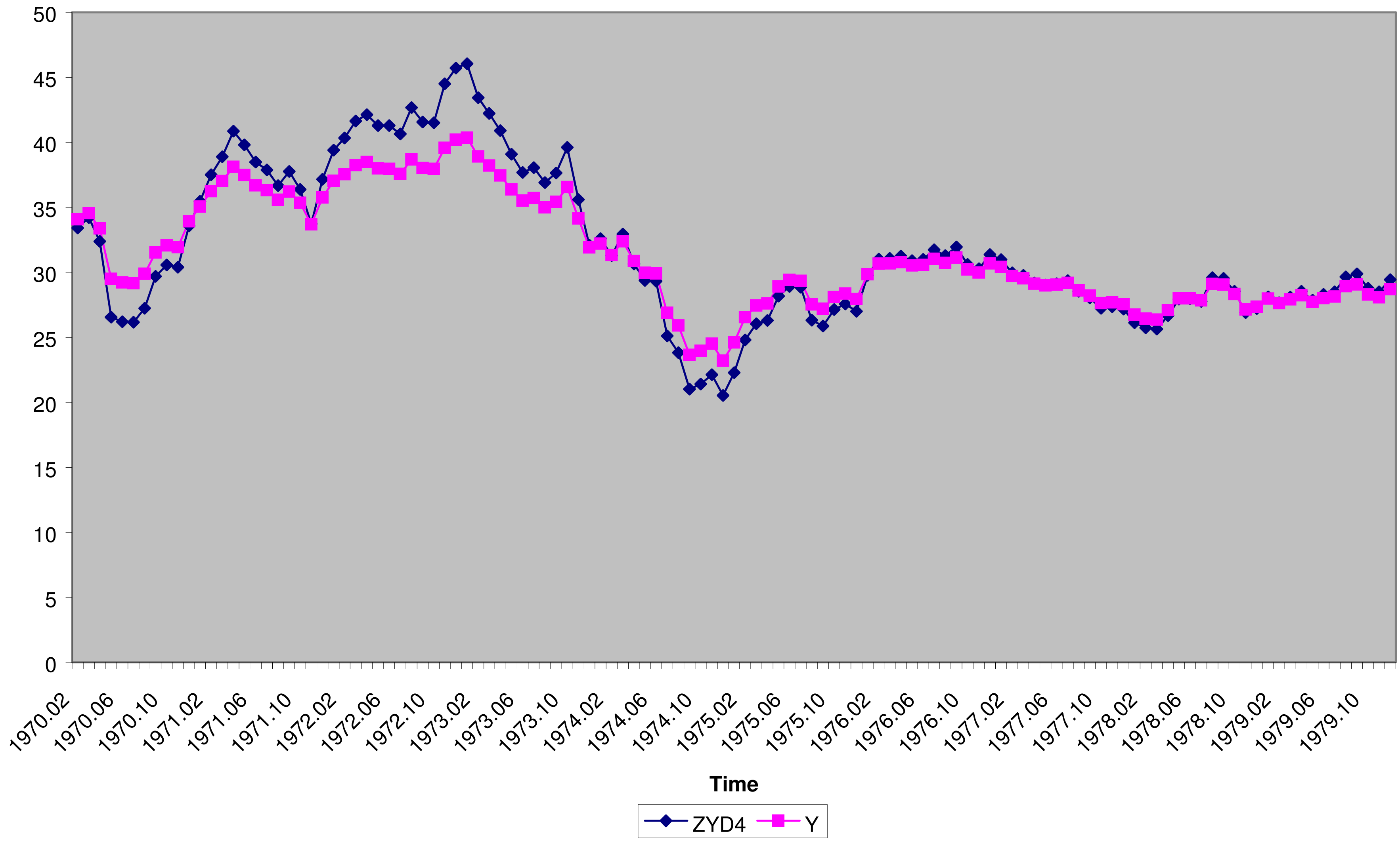

Figure 8: Comparison of Y(t) and ZY(t), 1960-1970.

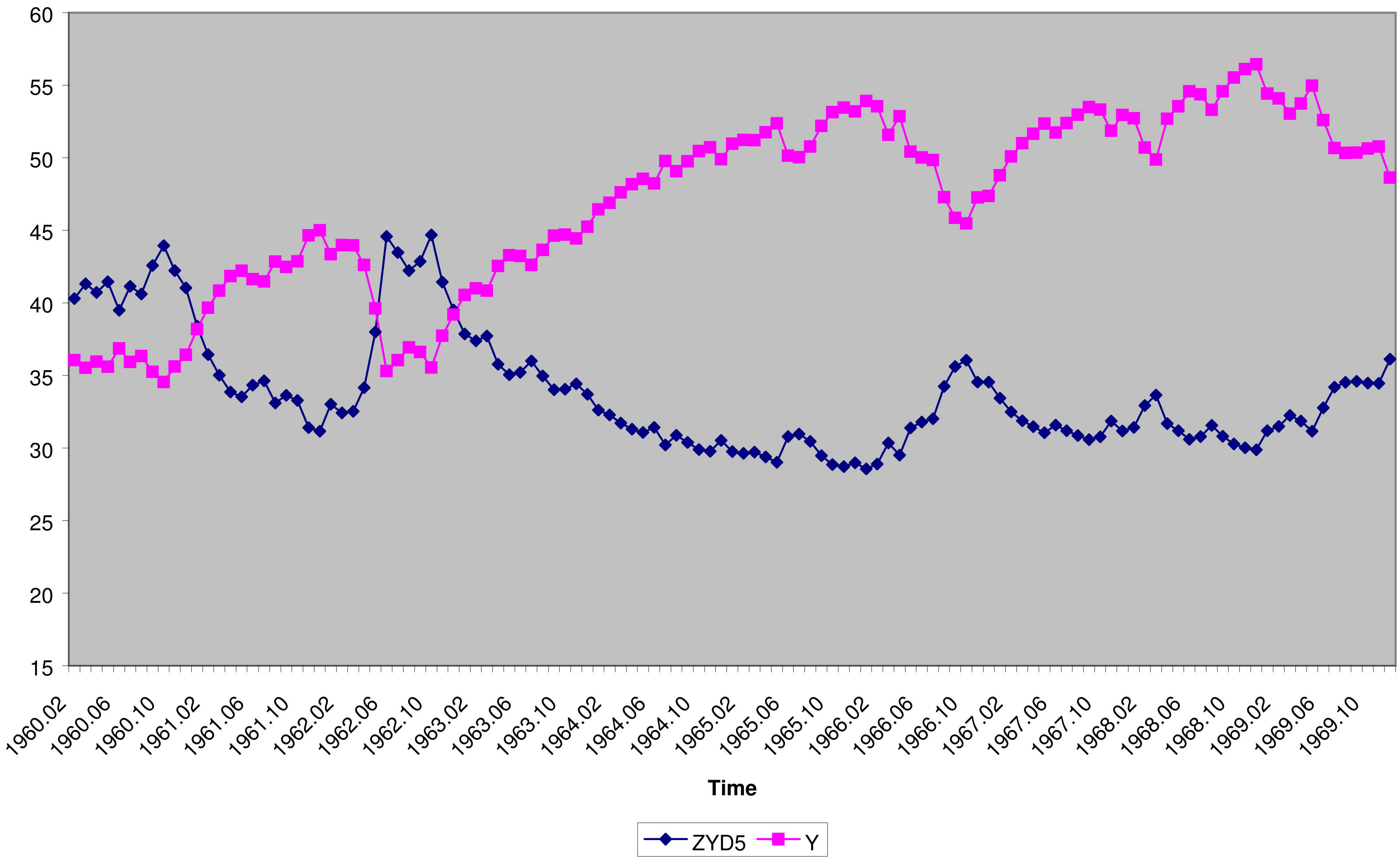

Figure 10: Comparison of Subsample Z(t)