# Article information:

A Test of General Asymmetric Dependence by Lei Jiang, Esfandiar Maasoumi, Jiening Pan, Ke Wu :: SSRN
<https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3164384>

# Article summary:

1. The article proposes a modified mutual information measure to capture general asymmetric dependence between two random variables.

2. A test of asymmetric dependence is proposed based on this measure, which has better power than competing tests with alternative dependence measures.

3. The test reveals significant asymmetric dependence in returns of commonly-used stock portfolios and the market return both in the U.S and other developed countries, with stronger dependence between developed country markets and the U.S. market during downturns.

# Article rating:

Appears moderately imbalanced: The article provides some useful information, but is missing several important points or pieces of evidence that would be required to present the discussed topics in a balanced and reliable way. You are encouraged to seek a more balanced perspective on the presented issues by exploring the provided research topics and looking at different information sources.

# Article analysis:

The article "A Test of General Asymmetric Dependence" proposes a modified mutual information measure to capture general asymmetric dependence between two random variables and examines its finite-sample performance. The authors claim that their test has better power than competing tests with alternative dependence measures and find significant asymmetric dependence in returns of commonly-used stock portfolios and the market return both in the U.S and other developed countries.

The article provides a clear explanation of the proposed method and its advantages over existing methods. However, there are some potential biases and limitations to consider. Firstly, the authors only focus on one specific measure of dependence, which may not be applicable or relevant in all situations. Other measures of dependence may provide different results or insights.

Secondly, the authors do not provide a comprehensive analysis of potential confounding factors that could affect their results. For example, they do not consider the impact of macroeconomic factors such as interest rates or inflation on stock returns. These factors could potentially explain some of the observed asymmetric dependence.

Thirdly, the authors only examine developed country markets and do not consider emerging markets or other regions. This limits the generalizability of their findings.

Fourthly, while the authors claim to find significant asymmetric dependence in their analysis, they do not provide evidence for causality or directionality. It is possible that other factors are driving both variables rather than one variable causing changes in the other.

Finally, there is some promotional content in the article as it emphasizes the superiority of their proposed method over existing methods without acknowledging any potential limitations or drawbacks.

In conclusion, while "A Test of General Asymmetric Dependence" provides a useful contribution to understanding asymmetric dependence between variables, it is important to consider potential biases and limitations when interpreting its findings. Further research is needed to confirm these results and explore alternative measures of dependence and potential confounding factors.

# Topics for further research:

* Macro factors affecting stock returns
* Alternative measures of dependence
* Confounding factors in dependence analysis
* Asymmetric dependence in emerging markets
* Causality and directionality in dependence analysis
* Limitations of mutual information measure

# Report location:

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