

We regress the market excess return and the aggregated turbulence risk on the equal weighted portfolios based on the economic categories of Chen and Zimmermann (2022). Significance is indicated by bold letters, t-statistics are reported in brackets. We use daily data from January 1986 to December 2021, which totals 9060 observations.

$$E. Category_i^{EW} = \alpha_i + \beta_i(Mkt - R_f) + \tau_i FTI + \varepsilon_i$$

| Economic Category    | $\rho$ | Mean                    | $\alpha$                  | $\beta$                    | $\tau$                      | adj. Rsqr |
|----------------------|--------|-------------------------|---------------------------|----------------------------|-----------------------------|-----------|
| Accruals             | 0.85   | 0.0092<br>(0.75)        | 0.0115<br>(0.94)          | <b>-0.0279</b><br>(-6.47)  | <b>-1.31E-05</b><br>(-2.98) | 1.00%     |
| Asset Composition    | 0.95   | 0.031<br>(1.86)         | 0.0082<br>(0.54)          | <b>0.2262</b><br>(42.15)   | <b>-2.52E-05</b><br>(-4.63) | 16.00%    |
| Cash Flow Risk       | 1      | -0.0231<br>(-0.74)      | 0.0080<br>(0.27)          | <b>-0.3175</b><br>(-30.4)  | 4.49E-07<br>(0.04)          | 9.00%     |
| Composite Accounting | 0.89   | <b>0.0242</b><br>(2.09) | <b>0.0321</b><br>(2.83)   | <b>-0.075</b><br>(-18.8)   | <b>2.07E-05</b><br>(5.1)    | 4.00%     |
| Default Risk         | 1      | 0.037<br>(1.04)         | 0.0585<br>(1.68)          | <b>-0.1862</b><br>(-15.15) | <b>1.14E-04</b><br>(9.1)    | 3.00%     |
| Earnings Event       | 0.3    | 0.0691<br>(1.44)        | 0.0765<br>(1.59)          | <b>-0.0687</b><br>(-4.06)  | 2.21E-05<br>(1.28)          | 0.00%     |
| Earnings Forecast    | 0.46   | 0.0109<br>(0.9)         | <b>0.0248</b><br>(2.18)   | <b>-0.1385</b><br>(-34.6)  | <b>1.39E-05</b><br>(3.42)   | 12.00%    |
| Earnings Growth      | -0.88  | <b>0.0255</b><br>(2.07) | <b>0.0325</b><br>(2.68)   | <b>-0.073</b><br>(-17.09)  | -4.39E-06<br>(-1.01)        | 3.00%     |
| External Financing   | -      | 0.0169<br>(1.77)        | <b>0.0284</b><br>(3.16)   | <b>-0.1087</b><br>(-34.4)  | <b>3.09E-05</b><br>(9.61)   | 12.00%    |
| Info Proxy           | 1      | -0.0088<br>(-0.45)      | -0.0207<br>(-1.07)        | <b>0.1096</b><br>(16.06)   | <b>-4.03E-05</b><br>(-5.81) | 3.00%     |
| Informed Trading     | -      | <b>-0.03</b><br>(-3.7)  | <b>-0.0307</b><br>(-3.79) | <b>0.0068</b><br>(2.52)    | <b>-5.72E-06</b><br>(-2.00) | 0.00%     |
| Investment           | -0.95  | 0.0226<br>(1.92)        | <b>0.0301</b><br>(2.6)    | <b>-0.074</b><br>(-18.15)  | <b>9.65E-06</b><br>(2.33)   | 3.00%     |
| Investment Alt       | -0.77  | 0.0088<br>(1.02)        | 0.0090<br>(1.04)          | 0.0006<br>(0.2)            | <b>8.33E-06</b><br>(2.69)   | 0.00%     |
| Investment Growth    | -1     | 0.0111<br>(0.59)        | 0.0224<br>(1.2)           | <b>-0.1133</b><br>(-17.34) | 6.26E-06<br>(0.94)          | 3.00%     |
| Lead Lag             | -0.94  | 0.0121<br>(0.94)        | <b>0.0299</b><br>(2.58)   | <b>-0.1875</b><br>(-45.94) | <b>-1.72E-05</b><br>(-4.14) | 20.00%    |
| Leverage             | 0.01   | -0.0119<br>(-1.27)      | -0.0072<br>(-0.78)        | <b>-0.0508</b><br>(-15.67) | <b>-1.05E-05</b><br>(-3.18) | 3.00%     |
| Liquidity            | 0.86   | -0.0161<br>(-0.98)      | 0.0215<br>(1.84)          | <b>-0.3854</b><br>(-93.55) | -2.80E-06<br>(-0.67)        | 50.00%    |
| Long Term Reversal   | -0.99  | -0.0342<br>(-1.39)      | -0.0341<br>(-1.39)        | -0.0052<br>(-0.61)         | -1.68E-05<br>(-1.91)        | 0.00%     |
| Momentum             | 0.98   | <b>0.1014</b><br>(3.45) | <b>0.1089</b><br>(3.71)   | <b>-0.0768</b><br>(-7.44)  | -1.24E-06<br>(-0.12)        | 1.00%     |
| Optionrisk           | -      | <b>0.0846</b><br>(4.99) | <b>0.0940</b><br>(5.67)   | <b>-0.0936</b><br>(-17.08) | -2.97E-06<br>(-0.51)        | 4.00%     |

|                        |       |                         |                           |                            |                             |        |
|------------------------|-------|-------------------------|---------------------------|----------------------------|-----------------------------|--------|
| Other                  | 0.5   | <b>0.0227</b><br>(3.84) | <b>0.0194</b><br>(3.33)   | <b>0.0359</b><br>(17.52)   | <b>5.24E-06</b><br>(2.52)   | 3.00%  |
| Ownership              | 0.21  | 0.0416<br>(0.54)        | 0.0529<br>(0.69)          | <b>-0.1138</b><br>(-4.23)  | 7.55E-06<br>(0.28)          | 0.00%  |
| Payout Indicator       | 0.41  | -0.0017<br>(-0.16)      | 0.0002<br>(0.02)          | <b>-0.0202</b><br>(-5.53)  | -2.29E-06<br>(-0.61)        | 0.00%  |
| Profitability          | 0.98  | <b>0.0499</b><br>(2.56) | <b>0.0714</b><br>(3.86)   | <b>-0.2022</b><br>(-31.06) | <b>6.25E-05</b><br>(9.44)   | 10.00% |
| Profitability Alt      | 0.84  | 0.0031<br>(0.21)        | 0.0078<br>(0.54)          | <b>-0.0443</b><br>(-8.75)  | <b>1.36E-05</b><br>(2.64)   | 1.00%  |
| R&D                    | 0.07  | <b>0.0284</b><br>(2.37) | <b>0.0324</b><br>(2.71)   | <b>-0.0378</b><br>(-8.98)  | <b>1.04E-05</b><br>(2.42)   | 1.00%  |
| Recommendation         | -     | 0.0271<br>(1.63)        | <b>0.0366</b><br>(2.24)   | <b>-0.0909</b><br>(-16.31) | <b>2.78E-05</b><br>(4.64)   | 4.00%  |
| Risk                   | -0.8  | -0.0013<br>(-0.08)      | <b>-0.0348</b><br>(-2.97) | <b>0.3356</b><br>(81.33)   | <b>-2.25E-05</b><br>(-5.36) | 42.00% |
| Sales Growth           | 0.45  | -0.006<br>(-0.68)       | -0.0048<br>(-0.55)        | <b>-0.0173</b><br>(-5.54)  | <b>-1.66E-05</b><br>(-5.23) | 1.00%  |
| Short-Term Reversal    | 1     | -0.0155<br>(-0.36)      | -0.0448<br>(-1.06)        | <b>0.2981</b><br>(19.97)   | -4.14E-06<br>(-0.27)        | 4.00%  |
| Short Sale Constraints | 0.95  | -0.0324<br>(-1.74)      | -0.0166<br>(-0.92)        | <b>-0.1619</b><br>(-25.62) | -1.27E-06<br>(-0.2)         | 7.00%  |
| Size                   | 1     | -0.0464<br>(-1.5)       | 0.0084<br>(0.33)          | <b>-0.5754</b><br>(-64.31) | <b>-5.08E-05</b><br>(-5.58) | 32.00% |
| Valuation              | -0.99 | 0.0151<br>(0.91)        | 0.0260<br>(1.58)          | <b>-0.0992</b><br>(-17.17) | <b>3.78E-05</b><br>(6.44)   | 3.00%  |
| Volatility             | 0.99  | 0.0591<br>(1.79)        | <b>0.1208</b><br>(4.36)   | <b>-0.6029</b><br>(-61.79) | <b>9.34E-05</b><br>(9.42)   | 30.00% |
| Volume                 | -0.96 | -0.0042<br>(-0.25)      | <b>0.0313</b><br>(2.39)   | <b>-0.3554</b><br>(-77.24) | <b>2.59E-05</b><br>(5.54)   | 40.00% |