

This document provides an overview of the programs needed to replicate the theoretical results reported in “Political cycles and stock returns.”

The programs subdirectory contains three programs:

Pastor_Veronesi_2019_Model.m: Master MATLAB code that computes equilibrium quantities. It produces

1. Numerical results in Example 1 (two gammas) and Example 2 (three gammas)
2. Figures 3 and 4 in the paper
3. Figure A1 in the Online Appendix (simulated, so results vary a bit simulation by simulation)
4. Numerical results for mixed equilibrium
5. Monte Carlo simulations results to check the results in Example 1
6. Other figures used in presentations

Kfun_RA.m: Matlab file to find the threshold $\underline{\mu}$

gammaFun_RA.m: Matlab file to find the thresholds $\overline{\gamma}$ and $\underline{\gamma}$

gammaM_MixedEq.m: Matlab file to find risk aversion γ_M in the mixed Equilibrium