Does left jump variance predict the cross-section of equity returns?

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The cross section of stock returns has substantial exposure to risk captured by left jump variance (LJV). We estimate monthly LJV from daily Standard & Poor's 500 index option data. Buying stocks in the lowest LJV decile and selling stocks in the highest LJV decile generates a statistical significant average return of 75 basis points the following month. This result is robust across a wide variety of implementations and is not captured by the 5 Fama-French factor model.