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## Dividend futures signal long slowdown: U. of Chicago

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By Editorial Staff      Thu, Mar 19, 2020

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Analyzing data from the aggregate equity market and dividend futures, two professors at the University of Chicago's Booth School this week quantified investors' expectations about economic growth in light of the coronavirus outbreak and potential policy responses to it.

"As of March 18, our forecast of annual growth in dividends is down 28% in the US and 25% in the EU, and our forecast of GDP growth is down by 2.6% both in the US and in the EU," they write in a new [research paper](#).

"The lower bound on the change in expected dividends is -43% in the US and -50% in the EU on the 3-year horizon. The lower bound is model free and completely forward looking. There are signs of catch-up growth from year 4 to year 10."

According to the paper, "news about economic relief programs on March 13 appear to have increased stock prices by lowering risk aversion and lift long-term growth expectations, but did little to improve expectations about short-term growth.

"The events on March 16 and March 18 reflect a deterioration of expected growth in the US and predict a deepening of the economic downturn. We also show how data on dividend futures can be used to understand why stock markets fell so sharply, well beyond changes in growth expectations.

"Dividend futures, which are claims to dividends on the aggregate stock market in a particular year, can be used to directly compute a lower bound on growth expectations across maturities or to estimate expected growth using a simple forecasting model. We show how the actual forecast and the bound evolve over time."