

Fernández-Pérez, A., Fernández-Rodríguez, F. Sosvilla-Rivero, S. (2014) The Term Structure of Interest Rates as Predictor of Stock Returns: Evidence for The IBEX35 during Bear Market. *International Review of Economics & Finance* Libro 31, 21-33.

Abstract

A Probit model to forecast the probability of bear markets in the Spanish IBEX 35 is presented, being the explanatory factors selected from a wide set of economic variables like the yield curve of Spain, US and Europe, several macro variables, and numerous leading indicators. A data-guided algorithm is used to render a concise parameterization of this optimal model. Our results suggest that the slopes of US and Europe yield curves have some information content (not implicitly present in the slope of the Spanish yield curve) that helps to better forecast the probability of bear markets