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The empirical distribution of stock returns: evidence from an emerging European market

RICHARD D. F. HARRIS* and C. COSKUN KÜÇÜKÖZMEN

School of Business and Economics, University of Exeter and *the Central Bank of the Republic of Turkey*

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There is now substantial evidence that daily equity returns are not normally distributed, but instead display significant leptokurtosis and, in many cases, skewness. Considerable effort has been made in order to capture these empirical characteristics using a range of statistical distributions. However, the evidence to date is confined entirely to the returns of developed stock markets, and in particular to the USA. In this paper, the daily returns of a large emerging European stock market, Turkey, are modelled. Two very flexible families of distributions that have recently been introduced are employed: the exponential generalized beta (EGB) and the skewed generalized *t* (SGT). These distributions permit very diverse levels of skewness and kurtosis and, between them, nest most of the distribution previously considered in the literature.