Common risk factors in the returns on stocks and bonds

The main key message of this paper is about the five common risk factors in the return on bonds and stocks. First group, the common risk factors on stocks which are divided into three parts, which are an overall market factor, factors related to firm size, and the book-to-market equity. Second group, the common risk factors on bonds which are divided into two parts, which are factors related to the maturity date and the default risk.

In the body of this paper, it explains the model that will be used is the regression model. Fama and French will be used for common stocks and a single model to explain bond returns. The interpretation of the time-series regressions for stocks is interesting, the size and book-to-market factors can explain the differences in average returns across stocks but it can not the large difference between the average returns on stocks and one-month bills. For the bond side, The term-structure components likewise explain average bond returns, but the average premiums for them, like the average excess bond returns, are near to zero. As a result, the premise that all corporate and government bond portfolios have the same long-term projected returns is similarly unfalsifiable.

In conclusion, the paper hasn't illustrated how the stochastic nature of earnings influences the size and book-to-market variables in returns.
How does profitability, or any other fundamental, cause common variance in returns related to size and BE/ME that is not captured by the market return?
Is it possible to identify certain fundamentals as state variables that result in common variance in returns that is independent of the market and has a different premium than general market risk? These and other intriguing questions will be addressed in the future.