AUCKLAND CENTRE FOR FINANCIAL RESEARCH

AUT BUSINESS SCHOOL

AUCKLAND FINANCE MEETING

16 - 18 December 2016

Programme

OUR SPONSORS:

CFA Institute

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RESERVE BANK OF NEW ZEALAND

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KIA ORA AND WELCOME

Welcome to the Auckland University of Technology and the 2016 Auckland Finance Meeting. Since its inception in 2011, the meeting has aimed at bringing together leading researchers in the fields of empirical finance and financial econometrics to present and discuss high-quality and leading-edge research. Over the years, the AFM has grown in quality, quantity and hopefully reputation. When we started in 2011, the AFM hosted less than 35 papers, selected from about 90 submissions. This year, the programme hosts 85 papers that were selected from over 200 submissions. The focus of the AFM has always been on quality over quantity and I am pleased to say that all of the accepted papers are of a very high quality.

A special thanks goes to our valued sponsors for their continuing support: New Zealand Superannuation Fund, the Securities Industry Research Centre of Asia (SIRCA), CFA Institute, The Reserve Bank of New Zealand, and the AUT Business School. Many of these sponsors have been supporting the academic efforts of the Auckland Centre for Financial Research since we started, and their financial support and engagement with us is crucial to the success of this event.

Many people are involved in putting together a conference, and I would like to thank all of those involved. A special thanks goes to our keynote speakers, Professor Russ Wermers and Professor Robert Webb. Their contributions to this conference are invaluable and I am very grateful for this.

I would also like to thank the members of the program selection committee, whose quality reviews are essential to the development of an outstanding conference programme.

I would like to thank Mrs Tracy Skolmen. She has done a magnificent job in putting many parts of this conference together. Her efforts have made the organisation and running of this event a very smooth process. Thank you so much Tracy!

Finally, I hope you will all have a great conference, and a memorable time in Auckland, the City of Sails.

Bart Frijns
Professor of Finance, Auckland University of Technology
Director of the Auckland Centre for Financial Research

AUCKLAND CENTRE FOR
FINANCIAL RESEARCH
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AFM MEETING PARTICIPANTS

PROGRAMME SELECTION COMMITTEE

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Christina Atanasova, Simon Fraser University
Rainer Baule, University of Hagen, Germany
Geoffrey Booth, Michigan State University, United States
Jonathan Brogaard, University of Washington, United States
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Thomas Ruf, University of New South Wales, Australia
Erik Schlögl, University of Technology Sydney, Australia
Andriy Shkilko, Wilfrid Laurier University, Canada
Ajai Singh, University of Central Florida, United States
Qian Sun, Fudan University, China
Peter Swan, University of New South Wales, Australia
Alireza Tourani-Rad, Auckland University of Technology, New Zealand
Sirimon Treepongkaruna, University of Western Australia, Australia
Yiuman Tse, University of Missouri–St. Louis, United States
John Wald, University of Texas-San Antonio, United States
Peiming Wang, Auckland University of Technology, New Zealand
Robert Webb, University of Virginia, United States
Joakim Westerholm, University of Sydney, Australia
Christian Wolff, University of Luxembourg, Luxembourg
Shaojun Zhang, Hong Kong Polytechnic University, Hong Kong
Jin Zhang, University of Otago, New Zealand
Remco Zwinkels, VU University Amsterdam, the Netherlands

KEYNOTE SPEAKERS

Professor Russ Wermers, University of Maryland, USA
Professor Robert I. Webb, University of Virginia, Charlottesville, USA

MEETING ORGANIZERS

Professor Bart Frijns, Director of ACFR, Auckland University of Technology, New Zealand
Tracy Skolmen, Dept. Coordinator, Auckland University of Technology, New Zealand

KEYNOTE SPEAKERS

Professor Russ Wermers, University of Maryland, USA

Russ Wermers is Professor of Finance and Director of the Center for Financial Policy (CFP) at the Smith School of Business, University of Maryland at College Park, where he won a campus-wide teaching award during 2005 and a Krowe Teaching Award (within the Smith Business School) during 2013. As Director, Professor Wermers guides the CFP in its mission of generating research that informs financial policy in the private and public sectors. His main research interests include studies of the efficiency of securities markets, as well as the role of institutional investors in setting stock prices. In addition, he studies and teaches quantitative equity strategies, and is currently researching microfinance institutions in Thailand. Most notably, his past research has developed new approaches to measuring and attributing the performance of mutual funds, pension funds, and hedge funds, which, among other applications, can be used to identify superior active funds. Professor Wermers also studies the investment behavior of these asset managers, as well as the impact of their trades on financial markets. His papers have been published in leading scholarly journals, such as The American Economic Review and The Journal of Finance. His coauthored article on mutual fund performance was a finalist for the Smith-Breeden Award for the Best Paper in the Journal of Finance during 2006/2007. Professor Wermers is coauthor of a book on the latest scientific approaches to performance evaluation and attribution of professional fund managers, written for academics and practitioners (published in December 2012). He received his Ph.D. from the University of California, Los Angeles, in December 1995.

KEYNOTE SPEAKERS

Professor Robert I Webb, University of Virginia, Charlottesville, USA

Bob Webb is the Paul Tudor Jones II Research Professor at the McIntire School of Commerce at the University of Virginia in Charlottesville, USA. Bob also held a joint appointment at the Korea Advanced Institute of Science and Technology business school for three years.

Bob serves as the Editor of the Journal of Futures Markets—a leading finance journal that specializes in academic articles on futures, options, and other derivative securities. His experience includes: trading fixed income securities for the Investment Department of the World Bank (Consultant); trading financial futures and options on the floor of the Chicago Mercantile Exchange (Member); designing new financial futures and option contracts for the Chicago Mercantile Exchange (Senior Financial Economist); analysing the effects of deregulating the financial services industry, among others, at the Executive Office of the President, Office of Management and Budget; (Senior Financial Economist) examining issues related to international futures markets at the U.S. Commodity Futures Trading Commission (Senior Financial Economist). Bob has also consulted on risk management issues for the Asian Development Bank in Manila. He formerly taught at the Graduate School of Business at the University of Southern California.

Bob earned his M.B.A. and Ph.D., degrees in finance from the University of Chicago and his B.B.A., degree from the University of Wisconsin at Eau Claire. Bob has published his research in a number of academic journals including the Journal of Econometrics, the Journal of Business and Economic Statistics, the Journal of Futures Markets, and the Southern Economic Journal among others. He has also published commentary on contemporary issues in the financial press including: The Wall Street Journal; Investor's Business Daily; the Nihon Keizai Shimbun; MK Economic Newspaper; and the Nikkei Weekly. He is the author or co-author of the books, Shock Markets: Trading Lessons for Volatile Times (FT [Financial Times] Press 2013); Trading Catalysts: How Events Move Markets and Create Trading Opportunities (FT Press 2007); and Macroeconomic Information and Financial Trading (Blackwell 1994).

BEST PAPER AWARDS

We would like to thank and acknowledge the sponsors of our Best Paper Awards. These awards will be presented after Keynote Address II.

AFM 2016 Best Paper Award — NZD2,000
Sponsored by:

AFM 2016 Runner Up Award — NZD1,000
Sponsored by:

2016 Best Paper using SIRCA Data — AUD1,500
Sponsored by:

2016 CFA Institute Asia-Pacific Capital Markets Research Award — USD1,000
Sponsored by:

Doctoral Symposium Best Paper Award — NZD750
Sponsored by:

VENUE INFORMATION

2016 AUCKLAND FINANCE MEETING
16 - 18 December 2016
AUT University
Auckland, New Zealand

Powhiri at **Ngā Wai o Horotiu Marae**

A Powhiri recognises the coming together of two groups. Ngā Wai o Horotiu Marae (WP Building, see Map opposite page) is Located on the corner of Wellesley and St Paul's Street, the marae is also known as the gateway to AUT and the city of Auckland.

This will be followed by registration and refreshments.

All sessions and streams will be held at AUT University, City Campus in the **Sir Paul Reeves Building** (Level 8 of WG Building, see map opposite page) located at 1 Governor Fitzroy Plaza, Auckland City

The Sky Lounge is situated 182 metres above Auckland City in the **Sky Tower**. When you arrive you come down the escalator in Sky City and through the second door on your right which is the reservations desk for Restaurants and they will have our information and provide access to Sky Lounge.

The 2016 AFM concludes with a tour to the beautiful **Waiheke Island**. We will travel by ferry to the island where we will disembark and proceed to a bus for a tour of the Island and a walk on the **Onetangi Beach** refreshments will be served at **The Venue Waiheke**.

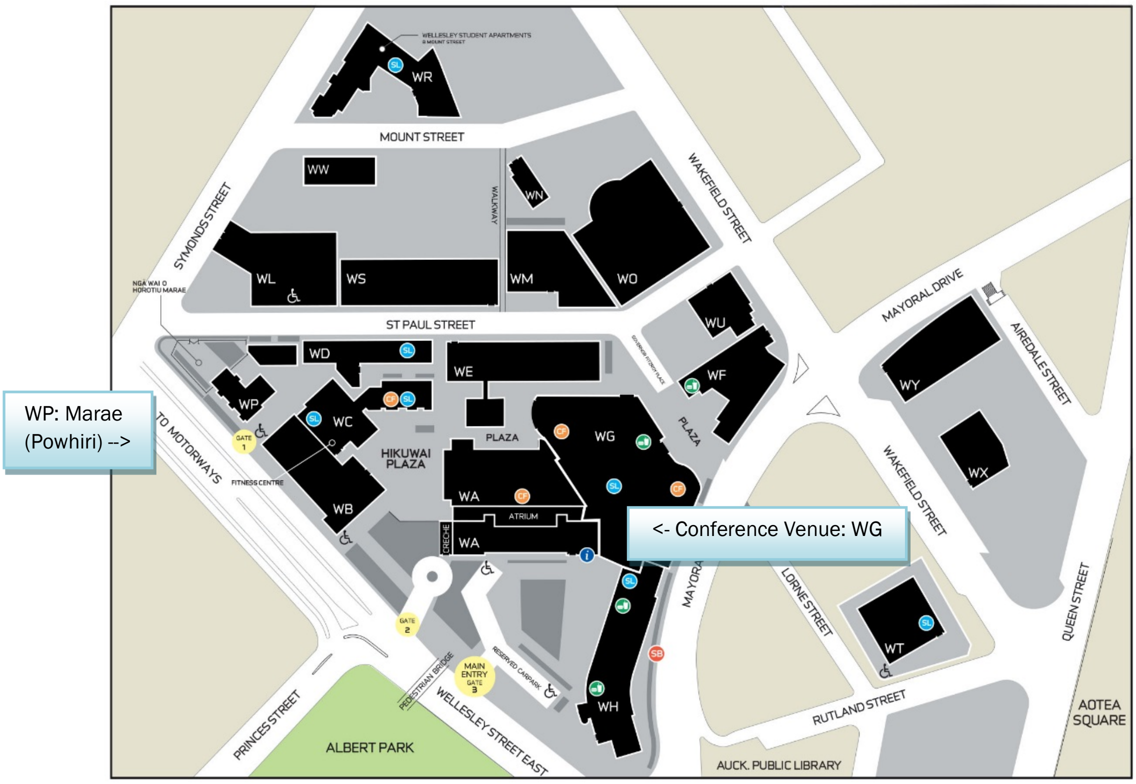
We will then proceed to **Stonyridge Vineyard** for a winery tour and dinner, returning to Auckland City by Ferry at 9:45pm, arriving around 10:30pm.

MEETING VENUE MAP

2016 AUCKLAND FINANCE MEETING
16 - 18 December 2016
AUT University
Auckland, New Zealand

AUT CITY CAMPUS

55 Wellesley Street East, Auckland 1010



SCHOOLS

Applied Sciences – Level 5, WS building
Art & Design – Level 3, WE building
Business – Level 1, WF building
Communication Studies – Level 12, WG building
Computer & Mathematical Sciences – Level 1, WT building
Engineering – Level 3, WS building
Hospitality & Tourism – Level 3, WH building
Language & Culture – Level 8, WT building
Law – Level 6, WY building
Social Sciences – Level 14, WT building
Te Ara Poutama – Level 3, WB building

AUT STUDENT CENTRE

Level 2, WA building

Phone: 0800 AUT UNI (0800 288 864)
Web: www.aut.ac.nz

SERVICES AND FACILITIES

AUT Student Centre – Level 2, WA building
Student Services Reception – Level 1, WB building
Library – Level 4, WA building
Early Childhood Centre – Level 2, WA building via Gate 2
AUT International Centre – Ground Floor, WY building
AuSM – Level 2, WC building
Safety & Security – Corner St Paul & Wakefield St, WO building
Health, Counselling & Wellbeing – WB219, Level 2, WB building
Printsprint customer service branch – Level 3, WA building
University Bookshop – WC122, WC building

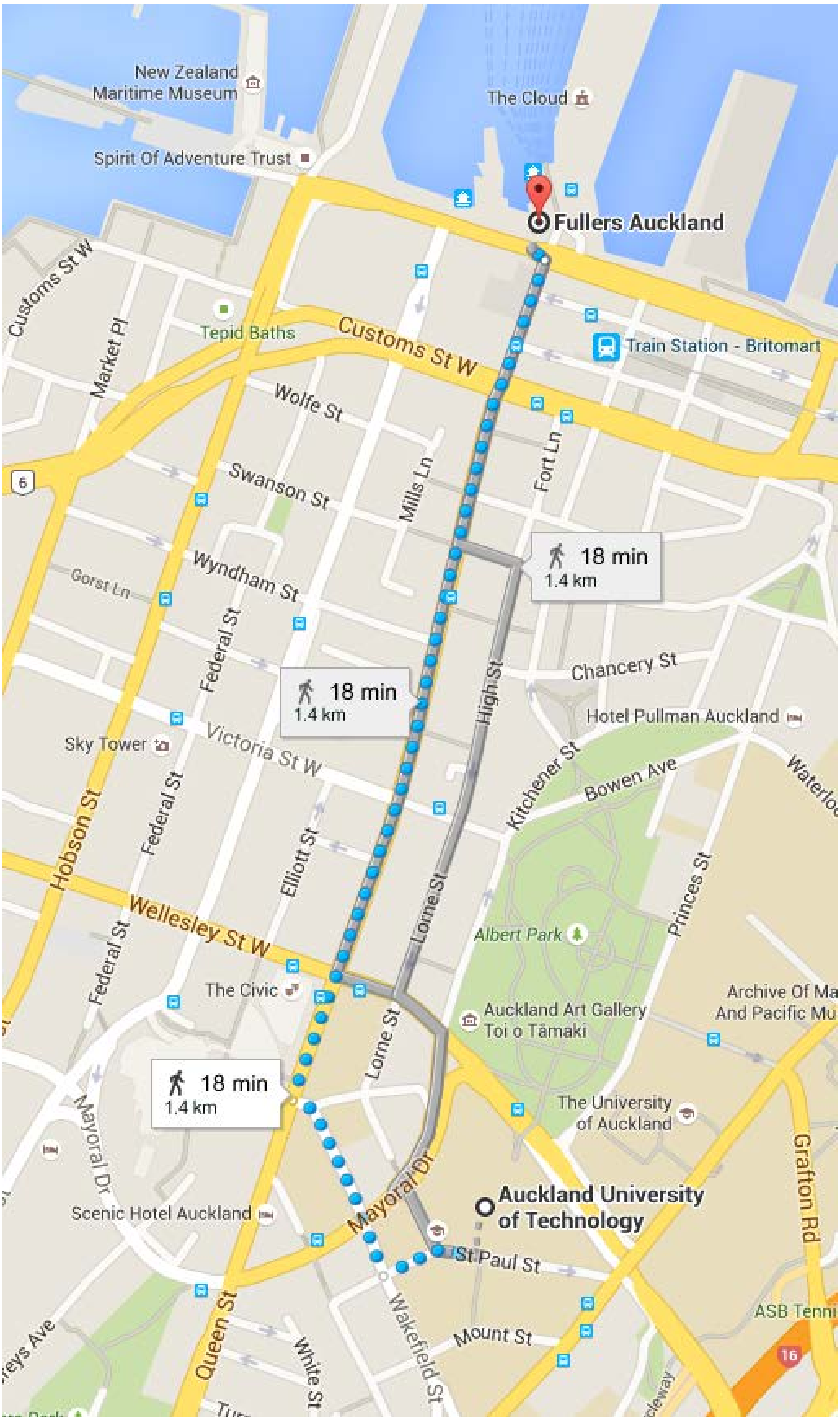
JOIN A CAMPUS TOUR

Fridays at 2pm
AUT Student Centre

- AUT Student Centre
- SL Student lounge
- Cafés
- CF Conference facility
- SB Intercampus shuttle bus stop
- Mobility parks

LOCATION MAP FOR FERRY TO WAIHEKE ISLAND

(You may wish to join the group walking from the Campus to the Ferry, after lunch)



PROGRAMME OVERVIEW – DOCTORAL SYMPOSIUM

2016 DOCTORAL SYMPOSIUM ORGANISERS:

Ivan Indriawan, Auckland University of Technology
Bart Frijns, Auckland University of Technology

Friday, 16th December 2016	Doctoral Symposium	WG 8
08h30 to 09h00	Registration & Coffee	WG8
09h00 to 11h30	**DOCTORAL SYMPOSIUM**	**WORKSHOPS**

Assoc. Prof. Remco Zwinkels, University of Amsterdam, Netherlands

Remco is an Associate Professor of Finance at the Vrije Universiteit Amsterdam. Before starting at the VU, he was an assistant professor in international finance as well as the head of the finance group at the Erasmus School of Economics. He holds a MSc in monetary economics from the Erasmus University, an MPhil in Economics from the Tinbergen Institute, and a PhD in Economics from the Radboud University Nijmegen. Remco is a visiting scholar at the University of Technology in Sydney and the Auckland University of Technology. His main research interest lies in the field of behavioral finance, and expectation formation in particular. He has published over 30 academic papers in leading journals and is on the editorial boards of the Journal of Economic Behavior and Organization as well as Applied Finance Letters.

Assoc. Prof. Christina Atanasova, Simon Fraser University, Canada

Christina Atanasova is an Associate Professor in Finance at the Beedie School of Business at Simon Fraser University, Canada. She holds a PhD in Finance from the University of Leeds, UK. She has been in the faculty at the University of York, a Visiting Professor at Université Dauphine Paris, and an Erskine fellow at the University of Canterbury. Her research has focused on issues in empirical corporate finance such as corporate governance, capital structure and risk management. She has published in leading academic and practitioner journals. She has been an associate editor for the Bulletin of Economic Research since 2004 and is currently a member of the editorial board of the Financial Analyst Journal.

Prof. Bart Frijns, Auckland University of Technology, New Zealand

Prof. Bart Frijns holds a PhD in Finance from Maastricht University, the Netherlands. The scope of Bart's research is broad with over 40 publications ranging from corporate governance and the impact of regulations on financial markets, to volatility dynamics and price setting behaviour. Bart is on the editorial board of the Journal of Futures Markets – a leading journal that publishes on financial derivatives. Besides his academic publications, Bart has been involved in a research project for the Dutch ministry of Finance, investigating the Financial Literacy of Dutch consumers. He currently sits on the investment committee of a NZ based investment company, and regularly acts as a consultant/public speaker at industry events. He is also the Director of the Auckland Centre for Financial Research.

11h30 to 12h30	Lunch Break	WG 4 Atrium

PROGRAMME OVERVIEW – DOCTORAL SYMPOSIUM

12h30 to 14h10	DOCTORAL SYMPOSIUM	BREAK-OUT SESSIONS

Session – Corporate Finance I – Chair: Dr. Ivan Indriawan

When do banks mitigate investment inefficiency?
Presenter: Tu Cam Ho (Auckland University of Technology, New Zealand)
Discussant: Jing Xu (University of New South Wales, Australia)

Preoccupied Independent Directors
Presenter: Emma Zhang (University of New South Wales, Australia)
Discussant: Xiangyun Lu (Southampton Business School, United Kingdom)

Session – Investments – Chair: Associate Prof. Remco Zwinkels

What Does It Mean to be in a Team? Evidence from U.S. Mutual Fund Managers
Presenter: Diamond Wang (University of Auckland, New Zealand)
Discussant: Yolanda Wang (University of Melbourne, Australia)

Corporate Diversification, Investment Efficiency and Business Cycles
Presenter: Yolanda Wang (University of Melbourne, Australia)
Discussant: Diamond Wang (University of Auckland, New Zealand)

Session – Financial Econometrics I – Chair: Dr. José Da Fonseca

Sample Selection Bias, Return Moments, and the Performance of Optimal Versus Naive Diversification
Presenter: Bowei Li (University of Melbourne, Australia)
Discussant: Ilnara Gafiatulina (Auckland University of Technology, New Zealand)

High Moment Risk Premiums for Crude Oil Market: A Downside and Upside Conditional Decomposition
Presenter: Yahua Xu (Auckland University of Technology, New Zealand)
Discussant: Milena Tieves (University of Hagen, Germany)

14h10 to 14h30	Coffee Break	WG 8
14h30 to 16h10	DOCTORAL SYMPOSIUM	BREAK-OUT SESSIONS

Session – Corporate Finance II – Chair: Dr. Ivan Indriawan

Executive Officer Turnover
Presenter: Jing Xu (University of New South Wales, Australia)
Discussant: Tu Cam Ho (Auckland University of Technology, New Zealand)

Corporate Reputation and Real Activities Management as Myopic Behaviour: Evidence from U.S. Companies
Presenter: Xiangyun Lu (Southampton Business School, United Kingdom)
Discussant: Emma Zhang (University of New South Wales, Australia)

Session – Banking – Chair: Associate Prof. Christina Atanasova

Bank Liquidity, Bank Failure Risk and Bank Size
Presenter: Chen Zheng (Curtin University, Australia)
Discussant: Abhik Mukherjee (École Polytechnique Fédérale de Lausanne)

Let them eat debt but to what end? Corporate America after the Great Recession
Presenter: Abhik Mukherjee (École Polytechnique Fédérale de Lausanne)
Discussant: Chen Zheng (Curtin University, Australia)

Session – Financial Econometrics II – Chair: Dr. José Da Fonseca

Information Shares in Stationary Time Series and Global Volatility Discovery
Presenter: Milena Tieves (University of Hagen, Germany)
Discussant: Yahua Xu (Auckland University of Technology, New Zealand)

Time Varying Price Discovery in VIX Exchange Traded Notes: A Tale of Retail vs. Institutional Trades
Presenter: Ilnara Gafiatulina (Auckland University of Technology, New Zealand)
Discussant: Bowei Li (University of Melbourne, Australia)

PROGRAMME OVERVIEW

Friday 16th December 2016	AFM 2016	
17h00 to 19h30	Powhiri Registration & Welcome	AUT Marae
Saturday 17th December 2016	**Day 1**	
07h30 to 08h00	Registration	WG 306
08h00 to 09h45	**SESSIONS A**	
Stream A.1	Financial Econometrics	WG 801
Stream A.2	Return Predictability	WG 802
Stream A.3	Corporate Finance	WG 803
Stream A.4	Behavioral Finance	WG 808
Stream A.5	International Equity Markets	WG 809
09h45 to 10h15	**Coffee/Tea Break**	WG306
10h15 to 12h00	**SESSIONS B**	
Stream B.1	Financial Econometrics	WG 801
Stream B.2	Mergers and Acquisitions	WG 802
Stream B.3	International Diversification	WG 803
Stream B.4	Corporate Finance	WG 808
Stream B.5	Finance Theory	WG 809

Keynote Address I

12h15 to 13h15 — WG 403

PROFESSOR RUSS WERMERS, UNIVERSITY OF MARYLAND, USA

Shadow Banking: The Financial Crisis, New Regulatory Developments, and the Resulting Impact on the Real and Financial Sectors

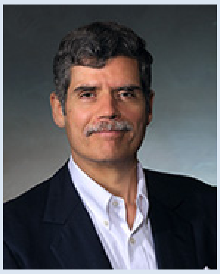
The so-called "shadow banking" sector - which comprises (among others) money market mutual funds, repo markets, securities lending, and short-term (unregistered) investment funds—has undergone rapid change since the Financial Crisis and its ensuing regulatory changes. An emerging research seeks to understand the effects of these events on each area of shadow banking, as well as on the short-term financing of non-financial corporations and financial institutions. This talk will discuss this recent research, and will also discuss areas where more research is needed - including a discussion of the behavior of heterogeneous investors in moving money between shadow banks as well as new databases that have become available on the activities of shadow banks.

PROGRAMME OVERVIEW

13h15 to 14h00	**Lunch Break**	**WG306**
14h00 to 15h45	**SESSIONS C**	
Stream C.1	Mutual Funds	WG 801
Stream C.2	Corporate Ownership	WG 802
Stream C.3	Market Microstructure	WG 803
Stream C.4	Corporate Finance	WG 808
Stream C.5	Banking	WG 809
Stream C.6	Return Predictability	WG 806

Keynote Address II

16h00 to 17h00



PROFESSOR ROBERT I. WEBB, UNIVERSITY OF VIRGINIA, USA

Crowded Trade Risk and Trader Induced Volatility

The sudden unwinding of “crowded trade” positions exacerbates price moves and creates volatility. Such events may occur on their own or be precipitated by the actions of other market participants (intentionally or not). Whatever the cause, the volatility that accompanies the unwinding of crowded trades is largely unrelated to economic fundamentals. It is almost entirely trader-induced. This talk assesses the importance of crowded trade risk and other forms of trader-induced volatility and, discusses the implications for practitioners, policymakers and academics alike.

WG 403

17h00 to 17h30	**Presentation of Best Paper Award**	WG 403
18h30 to 20h00	**Drinks & Snacks @ Sky Lounge** **Sponsored by :** CFA Institute	**Sky Tower**

SKYTOWER
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PROGRAMME OVERVIEW

Sunday 18th December 2016	Day 2	
09h00 to 10h45	**SESSION ONE**	
Stream D.1	Financial Econometrics	Room: WG 801
Stream D.2	Corporate Finance Theory	Room: WG 802
Stream D.3	Behavioral Finance	Room: WG 803
Stream D.4	Empirical Corporate Finance	Room: WG 808
Stream D.5	Asset Pricing	Room: WG 809
10h45 to 11h15	Coffee/Tea Break	WG306
11h15 to 13h00	**SESSION TWO**	
Stream E.1	Empirical Asset Pricing	Room: WG 801
Stream E.2	Corporate Finance	Room: WG 802
Stream E.3	Information Asymmetry	Room: WG 803
Stream E.4	Corporate Debt	Room: WG 808
Stream E.5	Financial Econometrics	Room: WG 809
13h00 to 14h00	Lunch Break	WG306

14h30	Arrive at Wharf (see map on page 9)
15h00	Ferry to Waiheke Island
15h45	Arrive at Matiatia Wharf
15h55	Waiheke Island Bus Tour
16h15	Stopover at Onetangi Beach “The Venue, Waiheke”
17h30	Stonyridge Vineyard
21h15	Bus back to Matiatia Wharf
22h30	ETA back in Downtown Auckland

DETAILED ACADEMIC PROGRAMME – 17th DECEMBER 2016

Sessions A - 8h00 to 9h45	
Stream A.1 – Financial Econometrics **Session Chair: Professor Robert I. Webb, University of Virginia**	
08h00 to 08h35	**Modelling Intraday Correlations using Multivariate GARCH** Adam Clements, Queensland University of Technology **Ayesha Scott**, Auckland University of Technology Annastiina Silvennoinen, Queensland University of Technology *Discussant:* Jin Zhang, University of Otago
08h35 to 09h10	**Correlated Volatility Shocks** **Xiao Qiao**, University of Chicago Yongning Wang, University of Chicago *Discussant:* Vitali Alexeev, University of Technology Sydney
09h10 to 09h45	**Information Shares in Stationary Time Series and Global Volatility Discovery** Rainer Baule, University of Hagen Bart Frijns, Auckland University of Technology **Milena E. Tieves**, University of Hagen *Discussant:* Xiao Qiao, University of Chicago
Stream A.2 – Return Predictability **Session Chair: Chang-Mo Kang, University of New South Wales**	
08h00 to 08h35	**Can Investor Sentiment Be a Momentum Time-Series Predictor? Evidence from China** **Xing Han**, Ghent University Youwei Li, Queen's University Belfast *Discussant:* Sonja Kobinger, Griffith University
08h35 to 09h10	**Stock return predictability of out-of-the-money option trading** **Chang-Mo Kang**, University of New South Wales Donghyun Kim, University of Wisconsin-Milwaukee Geul Lee, University of New South Wales *Discussant:* Xing Han, Ghent University
09h10 to 09h45	**Long-Term Time Series Reversal: International Evidence** **Sonja Kobinger**, Griffith University Graham Bornholt, Griffith University Mirela Malin, Griffith University *Discussant:* Chang-Mo Kang, University of New South Wales
Stream A.3 – Corporate Finance **Session Chair: Kelvin Tan, University of Queensland**	
08h00 to 08h35	**Got information? The efficiency of price discovery of qualitative and quantitative corporate disclosures** Dennis Y. Chung, Simon Fraser University **Karel Hrazdil**, Simon Fraser University Jiri Novak, Charles University in Prague Nattavut Suwanyangyuan, Simon Fraser University *Discussant:* Jean Canil, University of Adelaide
08h35 to 09h10	**Information Uncertainty and Target Valuation in Mergers and Acquisitions** Ou (Owen) Liu, Xi'an Jiaotong-Liverpool University **Lin (Jack) Li**, Hong Kong Polytechnic University Zhonghui Shi, Xi'an Jiaotong-Liverpool University *Discussant:* Karel Hrazdil, Simon Fraser University
09h10 to 09h45	**Optimism or Over-Precision? What Drives the Role of Overconfidence in Managerial Decisions?** Ronghong Huang, University of Queensland **Kelvin Tan**, University of Queensland Johan Sulaeman, National University of Singapore Robert Faff, University of Queensland *Discussant:* Amir Barnea, HEC Montréal

DETAILED ACADEMIC PROGRAMME – 17th DECEMBER 2016

Stream A.4 – Behavioral Finance **Session Chair: Robert B. Durand, Curtin University**	
08h00 to 08h35	**Are Lucky Endings the Optimal Price Setting?** **Danika Wright**, University of Sydney *Discussant:* Zhe Shen, Xiamen University
08h35 to 09h10	**Do investors save trading for a rainy day?** **Jessica Y. Wang**, Nottingham Trent University Raphael N. Markellos, University of East Anglial *Discussant:* Danika Wright, University of Sydney
09h10 to 09h45	**Myopic Loss Aversion, Personality and Gender** **Robert B. Durand**, Curtin University Lucia Fung, Hong Kong Baptist University Manapon Limkriangkrai, Monash University *Discussant:* Jun Myung Song, University of New South Wales
Stream A.5 – International Equity Markets **Session Chair: Ben R. Marshall, Massey University**	
08h00 to 08h35	**Time-varying Contemporaneous Spillovers during the European Debt Crisis** **Marinela Finta**, Auckland University of Technology Bart Frijns, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology *Discussant:* Massaporn Cheuathonghua, Thammasat University
08h35 to 09h10	**Asymmetric Investor Sentiment Spillovers in International Equity Markets** **Massaporn Cheuathonghua**, Thammasat University Pattana Boonchoo, Thammasat University Chaiyuth Padungsaksawasdi, Thammasat University *Discussant:* Maria E. de Boyrie, New Mexico State University
09h10 to 09h45	**Country Governance and International Equity Returns** **Ben R. Marshall**, Massey University Hung T. Nguyen, Monash University Nhut H. Nguyen, Massey University Nuttawat Visaltanachoti, Massey University *Discussant:* Ilya Dergunov, Goethe Universitat Frankfurt
Sessions B - 10h15 to 12h00	
Stream B.1 – Financial Econometrics **Session Chair: Jin E. Zhang, University of Otago**	
10h15 to 10h50	**Time varying price discovery in VIX Exchange Traded Notes: A tale of retail vs. institutional trades** Adrian Fernandez-Perez, Auckland University of Technology Bart Frijns, Auckland University of Technology **Ilnara Gafiatulina**, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology *Discussant:* Thu Phuong Pham, University of Adelaide
10h50 to 11h25	**VIX Futures ETNs: Tracking Efficiency, Consistency and Price Discovery** **Sebastian A. Gehricke**, University of Otago Jin E. Zhang, University of Otago *Discussant:* Ilnara Gafiatulina, Auckland University of Technology
11h25 to 12h00	**The CBOE Skew** Fang Zhen, University of Otago **Jin E. Zhang**, University of Otago *Discussant:* Bowei Li, University of Melbourne

Stream B.2 – Mergers and Acquisitions **Session Chair: Jordan B. Neyland, University of Melbourne**	
10h15 to 10h50	**Do Firm- and Country-level Information Environments Play a Role in Shaping the Rival Responses of Target Firms?** **Zhe An**, Monash University Zhian Chen, University of New South Wales Donghui Li, Jinan University Michael Murong, University of New South Wales *Discussant:* Jordan B. Neyland, University of Melbourne
10h50 to 11h25	**The Value of Access to Finance: Evidence from M&A** Jess Cornaggia, Georgetown University **Jay Y. Li**, City University of Hong Kong *Discussant:* Zhe An, Monash University
11h25 to 12h00	**Financing Acquisitions with Earnouts** Thomas W. Bates, Arizona State University **Jordan B. Neyland**, University of Melbourne Yolanda Wang, University of Melbourne *Discussant:* Jay Y. Li, City University of Hong Kong
Stream B.3 – International Diversification **Session Chair: Ilya Dergunov, Goethe Universitat Frankfurt**	
10h15 to 10h50	**Where to hide in bad times: Or should one still diversify internationally?** **Redouane Elkamhi**, University of Toronto *Discussant:* Ben R. Marshall, Massey University
10h50 to 11h25	**Linkages between Equity and Commodity Markets: Are Emerging Markets Different?** **Maria E. de Boyrie**, New Mexico State University Ivelina Pavlova, University of Houston *Discussant:* Redouane Elkamhi, University of Toronto
11h25 to 12h00	**International portfolio diversification and macroeconomic fluctuations when preferences are time-varying** Giuliano Curatola, Goethe Universitat Frankfurt **Ilya Dergunov**, Goethe Universitat Frankfurt *Discussant:* Yeguang Chi, Shanghai Jiaotong University
Stream B.4 – Corporate Finance **Session Chair: Jia Chen, Peking University**	
10h15 to 10h50	**Leverage and the Japanese Financial Crisis** Joye Khoo, Curtin University **Robert B. Durand**, Curtin University *Discussant:* Christina Atanasova, Simon Fraser University
10h50 to 11h25	**When do banks mitigate investment inefficiency?** Bart Frijns, Auckland University of Technology **Tu Cam Ho**, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology *Discussant:* Robert B. Durand, Curtin University
11h25 to 12h00	**Market Transparency and Pricing Efficiency: Evidence from Corporate Bond Market** **Jia Chen**, Peking University Ruichang Lu, Peking University *Discussant:* Tu Cam Ho, Auckland University of Technology

Stream B.5 – Finance Theory **Session Chair: Michael O'Connor Keefe, Victoria University of Wellington**	
10h15 to 10h50	**The Performance of Governmental Venture Capital Firms: A Life Cycle Perspective & Evidence from China** **Yuejia (Aria) Zhang**, University of Auckland David Geoffrey Mayes, University of Auckland *Discussant:* Lin William Cong, University of Chicago
10h50 to 11h25	**Intervention Policy in a Dynamic Environment: Coordination and Learning** **Lin William Cong**, University of Chicago Steven Grenadier, Stanford University Yunzhi Hu, University of Chicago *Discussant:* Michael O'Connor Keefe, Victoria University of Wellington
11h25 to 12h00	**A theory of political connections through lender compensation, enforcement, and social objectives on interest rates, access to credit, and investment** **Michael O'Connor Keefe**, Victoria University of Wellington *Discussant:* Yuejia (Aria) Zhang, University of Auckland
K.1 - 2h15 to 13h15	
Keynote Address I	**WG 404**
PROFESSOR RUSS WERMERS, UNIVERSITY OF MARYLAND **Shadow Banking: The Financial Crisis, New Regulatory Developments, and the Resulting Impact on the Real and Financial Sectors** The so-called "shadow banking" sector which comprises (among others) money market mutual funds, repo markets, securities lending, and short-term (unregistered) investment funds—has undergone rapid change since the Financial Crisis and its ensuing regulatory changes. An emerging research seeks to understand the effects of these events on each area of shadow banking, as well as on the short-term financing of non-financial corporations and financial institutions. This talk will discuss this recent research, and will also discuss areas where more research is needed—including a discussion of the behavior of heterogeneous investors in moving money between shadow banks as well as new databases that have become available on the activities of shadow banks.	
Sessions C - 14h00 to 15h45	
Stream C.1 – Mutual Funds **Session Chair: Remco Zwinkels, VU Amsterdam**	
14h00 to 14h35	**Timing is Money: The Factor Timing Ability of Hedge Fund Managers** Albert Jakob Osinga, KAS Bank Marc B.J. Schauten, VU Amsterdam **Remco C.J. Zwinkels**, VU Amsterdam and Tinbergen Institute *Discussant:* Li Xie, Xi'an Jiaotong-Liverpool University
14h35 to 15h10	**Common Holdings in Mutual Fund Family** Jean Chen, University of Liverpool **Li Xie**, Xi'an Jiaotong-Liverpool University Si Zhou, University of Southampton *Discussant:* Woraphon Wattanatorn, PTT Public Company Limited
15h10 to 15h45	**Liquidity Timing in the Higher Moment Framework: Evidence from Bank Affiliated Fund** **Woraphon Wattanatorn,** PTT Public Company Limited Chaiyuth Padungsaksawasdi, Thammasat University Pornchai Chunhachinda, Thammasat University Sarayut Nathaphan, Mahidol University International College *Discussant:* Bart Frijns, Auckland University of Technology

DETAILED ACADEMIC PROGRAMME – 17th DECEMBER 2016

Stream C.2 – Corporate Ownership **Session Chair: Jean-Philippe Weisskopf, Ecole hôtelière de Lausanne**	
14h00 to 14h35	**Investor Horizons and Employee Satisfaction** **Alexandre Garel**, Auckland University of Technology Arthur Petit-Romec, ESCP Europe *Discussant:* Lin (Jack). Li, Hong Kong Polytechnic University
14h35 to 15h10	**Monitors or Certifiers? Different Roles of Private Equity Firms at Different Timing of Investments** **Wei-Huei (Wendy) Hsu**, Massey University Martin Young, Massey University *Discussant: Arthur Petit-Romec, ESCP Europe*
15h10 to 15h45	**Ownership structure, asset intensity and firm performance** Philippe Masset, Ecole hôtelière de Lausanne **Jean-Philippe Weisskopf**, Ecole hôtelière de Lausanne *Discussant:* Jia Chen, Peking University
Stream C.3 – Market Microstructure **Session Chair: Aaron Gilbert, Auckland University of Technology**	
14h00 to 14h35	**Intra-Day Revelation of Counterparty Identity in the World's Best-Lit Market** **Thu Phuong Pham**, University of Adelaide Peter L. Swan, University of New South Wales P. Joakim Westerholm, University of Sydney *Discussant:* Aaron Gilbert, Auckland University of Technology
14h35 to 15h10	**Inside the "black box" of Private In-house Meetings Implications for Fair Disclosure and Insider Trading Regulation** Robert M. Bowen, University of San Diego Shantanu Dutta, University of Ottawa Songlian Tang, East China University of Science and Technology **Pengcheng (Phil) Zhu**, University of San Diego *Discussant:* Fei Su, University of Technology Sydney
15h10 to 15h45	**The Informational Impact of USDA Reports on The Trading Costs of Agricultural Commodities Futures** Adrian Fernandez-Perez, Auckland University of Technology Bart Frijns, Auckland University of Technology **Ivan Indriawan**, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology *Discussant:* Andrew Lepone, Macquarie Graduate School of Management
Stream C.4 – Corporate Finance **Session Chair: Chao Chen, Fudan University**	
14h00 to 14h35	**An Empirical Model of the International Cost of Equity** **Engin Küçükkaya**, Middle East Technical University Mehmet Uzunkaya, Middle East Technical University *Discussant:* Sanaullah Farooq, Auckland University of Technology
14h35 to 15h10	**Impact of Corporate Governance on Overinvestment and Underinvestment: An Examination of ASX Listed Companies** **Sanaullah Farooq**, Auckland University of Technology Aaron Gilbert, Auckland University of Technology Alireza Tourani-Rad, Auckland University of Technology *Discussant:* Chao Chen, Fudan University
15h10 to 15h45	**Internationalization and Market Valuation: Evidence from China** **Chao Chen**, Fudan University Lishuai Lian, East China Normal University Gerald J. Lobo, University of Houston *Discussant:* Engin Küçükkaya, Middle East Technical University

Stream C.5 – Banking **Session Chair: Alexander Bleck, University of British Columbia**	
14h00 to 14h35	**Bonanzas, Booms and Banking Crises** **Kuntal Das**, University of Canterbury Joe Stuart, University of Canterbury *Discussant:* Abhik Mukherjee, École Polytechnique Fédérale de Lausanne
14h35 to 15h10	**Is Bank Capital Regulation Costly for Firms? – Evidence from Syndicated Loans** Luisa Lambertini, École Polytechnique Fédérale de Lausanne **Abhik Mukherjee**, École Polytechnique Fédérale de Lausanne *Discussant:* Alexander Bleck, University of British Columbia
15h10 to 15h45	**Risk-insensitive Regulation** **Alexander Bleck**, University of British Columbia *Discussant:* Kuntal Das, University of Canterbury
Stream C.6 – Empirical Asset Pricing **Session Chair: Robert Ready, University of Rochester**	
14h00 to 14h35	**Tradable Goods Sector Productivity Shocks and Asset Prices** **Ruchith Dissanayake**, University of Alberta *Discussant:* Adrian Fernandez-Perez, Auckland University of Technology
14h35 to 15h10	**Harvesting Commodity Risk Premia** **Adrian Fernandez-Perez**, Auckland University of Technology Joelle Miffre, Ana-Maria Fuertes, Cass Business School *Discussant:* Robert Ready, University of Rochester
15h10 to 15h45	**Fracking, Drilling, and Asset Pricing: Estimating the Economic Benefits of the Shale Revolution** Erik Gilje, University of Pennsylvania **Robert Ready**, University of Rochester Nikolai Roussanov, University of Pennsylvania, and NBER *Discussant:* Ruchith Dissanayake, University of Alberta
K.2 - 16h00 to 17h00	
Keynote Address II	**WG 404**

PROFESSOR ROBERT I. WEBB, UNIVERSITY OF VIRGINIA

Crowded Trade Risk and Trader Induced Volatility

The sudden unwinding of "crowded trade" positions exacerbates price moves and creates volatility. Such events may occur on their own or be precipitated by the actions of other market participants (intentionally or not). Whatever the cause, the volatility that accompanies the unwinding of crowded trades is largely unrelated to economic fundamentals. It is almost entirely trader-induced. This talk assesses the importance of crowded trade risk and other forms of trader-induced volatility and, discusses the implications for practitioners, policymakers and academics alike.

17h00 to 17h30	**Paper Awards Ceremony**	**WG 404**

DETAILED ACADEMIC PROGRAMME – 18th DECEMBER 2016

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<tr><td>09h00 to 09h35</td><td>Jump Risk: A Cubic-Variation Approach
Fang Zhen, University of Otago
Jin E. Zhang, University of Otago

Discussant: Marinela Finta, Auckland University of Technology</td></tr>
<tr><td>09h35 to 10h10</td><td>A Jumping Index of Jumping Stocks? An MCMC Analysis of Continuous-Time Models for Individual Stocks
Alessandro Pollastri, Maastricht University
Paulo Rodrigues, Maastricht University
Norman J. Seeger, VU University
Christian Schlag, Goethe University

Discussant: José Da Fonseca, Auckland University of Technology</td></tr>
<tr><td>10h10 to 10h45</td><td>Jump Activity Analysis for Affine Jump-diffusion Models: Evidences from the Commodity Market
José Da Fonseca, Auckland University of Technology
Katja Ignatieva, University of New South Wales

Discussant: Sebastian A. Gehricke, University of Otago</td></tr>
<tr><td colspan="2">Stream D.2 – Corporate Finance Theory
Session Chair: Peter MacKay, Hong Kong University of Science and Technology</td></tr>
<tr><td>09h00 to 09h35</td><td>Default and liquidation timing under asymmetric information
Michi Nishihara, Osaka University
Takashi Shibata, Tokyo Metropolitan University

Discussant: Peter MacKay, Hong Kong University of Science and Technology</td></tr>
<tr><td>09h35 to 10h10</td><td>Economic Uncertainty, Aggregate Debt, and the Real Effects of Corporate Finance
Timothy C. Johnson, University of Illinois

Discussant: Michi Nishihara, Osaka University</td></tr>
<tr><td>10h10 to 10h45</td><td>Organization and Innovation under Costly Information
Fei Ding, Hong Kong University of Science and Technology
Peter MacKay, Hong Kong University of Science and Technology

Discussant: Timothy C. Johnson, University of Illinois</td></tr>
<tr><td colspan="2">Stream D.3 – Behavioral Finance
Session Chair: Jun Myung Song, University of New South Wales</td></tr>
<tr><td>09h00 to 09h35</td><td>Mood and Analyst Optimism and Accuracy
Yuk Ying Chang, Massey University
Wei-Huei (Wendy) Hsu, Massey University

Discussant: Jessica Y. Wang, Nottingham Trent University</td></tr>
<tr><td>09h35 to 10h10</td><td>Driving the Presence of Investor Sentiment: the Role of Media Tone in IPOs
Zhe Shen, Xiamen University
Jiaxing You, Xiamen University
Michael Arthur Firth, Lingnan University

Discussant: Wei-Huei (Wendy) Hsu, Massey University</td></tr>
<tr><td>10h10 to 10h45</td><td>Political Relations and Media Coverage
Thomas Ruf, University of New South Wales
Jun Myung Song, University of New South Wales
Bohui Zhang, University of New South Wales

Discussant: Robert B. Durand, Curtin University</td></tr>
</table>

Stream D.4 – Empirical Corporate Finance **Session Chair: Jean Canil, University of Adelaide**	
09h00 to 09h35	**The Role of Luck in the Career Path of CEOs and Directors** **Amir Barnea**, HEC Montréal *Discussant:* Emma Jincheng Zhang, University of New South Wales
09h35 to 10h10	**Preoccupied Independent Directors** **Emma Jincheng Zhang**, University of New South Wales *Discussant:* Jean Canil, University of Adelaide
10h10 to 10h45	**Non-dividend protected executive options and dividend policy: Evidence from SFAS 123R** **Jean Canil**, University of Adelaide *Discussant:* Kelvin Tan, University of Queensland
Stream D.5 – Asset Pricing **Session Chair: Bart Frijns, Auckland University of Technology**	
09h00 to 09h35	**Equilibrium Equity and Variance Risk Premiums in A Cost-free Production Economy** **Xinfeng Ruan**, University of Otago Jin E. Zhang, University of Otago *Discussant:* Lin William Cong, University of Chicago
09h35 to 10h10	**Rise of Factor Investing: Asset Prices, Informational Efficiency, and Security Design** **Lin William Cong**, University of Chicago Douglas Xu, University of Chicago *Discussant:* Xinfeng Ruan, University of Otago
10h10 to 10h45	**Heterogeneous Beliefs among Retail and Institutional Investors** **Bart Frijns**, Auckland University of Technology Thanh D. Huynh, Monash University Alireza Tourani-Rad, Auckland University of Technology P. Joakim Westerholm, University of Sydney *Discussant:* Remco C.J. Zwinkels, VU Amsterdam and Tinbergen Institute
Sessions E - 11h15 to 13h00	
Stream E.1 – Return Predictability **Session Chair: Norman J. Seeger, VU University**	
11h15 to 11h50	**A Comprehensive Look at the Return Predictability of Variance Risk Premia** Suk-Joon Byun, Korea Advanced Institute of Science and Technology Bart Frijns, Auckland University of Technology **Tai-Yong Roh**, Auckland University of Technology *Discussant:* Norman J. Seeger, VU University
11h50 to 12h25	**Model Complexity and Out-of-Sample Performance: Evidence from S&P 500 Index Returns** Andreas Kaeck, University of Sussex Paulo Rodrigues, Maastricht University **Norman J. Seeger**, VU University *Discussant:* Hsin-Yi Yu, National University of Kaohsiung
12h25 to 13h00	**Nearness to the 52-week high and low prices, past returns, and average stock returns** Li-Wen Chen, National Chung Cheng University **Hsin-Yi Yu,** National University of Kaohsiung *Discussant: Tai-Yong Roh, Auckland University of Technology*

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Stream E.2 – Corporate Finance **Session Chair: Alireza Tourani-Rad, Auckland University of Technology**	
11h15 to 11h50	**Common Ownership and Executive Compensation** **Lantian Liang**, University of Texas at Dallas *Discussant:* Alexandre Garel, Auckland University of Technology
11h50 to 12h25	**CEO equity-based compensation and abrupt performance declines** **Jean Canil**, University of Adelaide Bruce A. Rossera, University of Adelaide *Discussant:* Lantian Liang, University of Texas at Dallas
12h25 to 13h00	**Manager Attribute and CEO Selection** **Lin (Jack) Li**, Hong Kong Polytechnic University Wilson H.S. Tong, Hong Kong Polytechnic University *Discussant:* Jean-Philippe Weisskopf, Ecole Hôtelière de Lausanne
Stream E.3 – Information Asymmetry **Session Chair: Andrew Lepone, Macquarie Graduate School of Management**	
11h15 to 11h50	**Private Information in the Chinese Stock Market: Evidence from Mutual Funds and Corporate Insiders** **Yeguang Chi**, Shanghai Jiaotong University *Discussant:* Ravi Kashyap, Markit /City University of Hong Kong
11h50 to 12h25	**A Tale of Two Consequences Intended and Unintended Outcomes of the Japan TOPIX Tick Size Changes** **Ravi Kashyap**, Markit /City University of Hong Kong *Discussant:* Ivan Indriawan, Auckland University of Technology
12h25 to 13h00	**Impact of Short-selling Restrictions on Futures Pricing: Evidence from China** **Andrew Lepone**, Macquarie Graduate School of Management Jun Wen, Macquarie Graduate School of Management Jin Boon Wong, Macquarie Graduate School of Management Jin Young Yang, Macquarie Graduate School of Management *Discussant:* Pengcheng (Phil) Zhu, University of San Diego
Stream E.4 – Corporate Debt **Session Chair: Jiri Svec, University of Sydney**	
11h15 to 11h50	**Deposit Insurance Design and Credit Union Risk** **Christina Atanasova**, Simon Fraser University Mingxin Li, Simon Fraser University Mehrdad Rastan, Financial Institutions Commission, Canada *Discussant:* Barbara Chambers, Monash University
11h50 to 12h25	**Multiemployer Defined Benefit Pension Plans' Liability Spillovers: Important Connections in U.S. Unionized Industries** **Barbara Chambers**, Monash University *Discussant:* Jiri Svec, University of Sydney
12h25 to 13h00	**Distress Risk: An Accelerated Failure Time Survival Analysis Approach** William Taylor, University of Sydney **Jiri Svec**, University of Sydney *Discussant:* Wei-Huei (Wendy) Hsu, Massey University

Stream E.5 – Financial Econometrics **Session Chair: Vitali Alexeev, University of Technology Sydney**	
11h15 to 11h50	**Global price discovery in the Australian dollar market and its determinants** **Fei Su**, University of Technology Sydney *Discussant:* Milena Tieves, University of Hagen
11h50 to 12h25	**Sample selection bias, return moments, and the performance of optimal versus naive diversification** **Bowei Li**, University of Melbourne *Discussant:* Fang Zhen, University of Otago
12h25 to 13h00	**Asymmetric Jump Beta Estimation with Implications for Portfolio Risk Management** **Vitali Alexeev**, University of Technology Sydney Wenying Yao, University of Tasmania Giovanni Urga, Deakin University *Discussant:* Ayesha Scott, Auckland University of Technology

ABSTRACTS: SESSION A.1

Stream A.1 – Paper 1

Modelling Intraday Correlations using Multivariate GARCH

Adam Clements, Queensland University of Technology
Ayesha Scott, Queensland University of Technology
Annastiina Silvennoinen, Queensland University of Technology

The study of high frequency volatility and correlation dynamics is motivated by a large number of practical financial applications, with institutions such as banks and hedge funds requiring up-to-date risk profiles for their portfolios. To date, very little work exists on the dynamics of correlations over the trading day despite a growing literature on modelling intraday volatilities. This paper outlines important intraday features of pairwise correlations and presents a novel multivariate GARCH approach to estimate the intraday correlations of a portfolio of equities. Based on the Dynamic Conditional Correlation model, the framework captures the daily level fluctuations evident in pairwise correlations and takes into account the intraday inverted U-shape pattern seen in the intraday correlations between assets. An equicorrelated version of the approach based on the Dynamic Equicorrelation model is also provided. At the 5-minute frequency, modelling both persistence at the daily frequency and the intraday diurnality evident in the correlations provides promising results over the sample. The intraday pattern in the correlations is most evident between stocks that have a lower level of unconditional correlation, such as those from different industries. Stocks that are highly correlated also display this pattern however it is not as pronounced.

Stream A.1 – Paper 2

Correlated Volatility Shocks

Xiao Qiao, University of Chicago
Yongning Wang, University of Chicago

Commonality in idiosyncratic volatility cannot be completely explained by time-varying volatility. After removing the effects of time-varying volatility, idiosyncratic volatility innovations are still positively correlated. This result suggests correlated volatility shocks contribute to the comovement in idiosyncratic volatility. To capture this fact, we propose the Dynamic Factor Correlation (DFC) model, which fits the data well and captures the cross-sectional correlations in idiosyncratic volatility innovations. We de-compose the common factor in idiosyncratic volatility (CIV) of Herskovic et al. (2014) into the volatility innovation factor (VIN) and time-varying volatility factor (TVV), and find VIN and TVV capture similar expected return variation and both contribute towards the asset pricing power of CIV.

Stream A.1 – Paper 3

Information Shares in Stationary Time Series and Global Volatility Discovery

Rainer Baule, University of Hagen
Bart Frijns, Auckland University of Technology
Milena E. Tieves, University of Hagen

Standard price discovery measures, particularly information shares, rely on the concept of co-integration for non-stationary time series. For the definition of information shares, the existence of a permanent impact of innovations is crucial, as these shares measure the relative contribution of different markets to this permanent impact. For stationary time series such as interest rates, CDS prices, or volatilities, permanent impacts do not occur and thus the concept fails. In this paper, we extend the concept of information shares to the case of stationary time series. We suggest a price discovery metric based on the well-known variance decomposition for stationary time series, aiming to be equivalent to Hasbrouck's (1995) information share. This new price discovery measure converges to the standard information share in the limiting case of non-stationarity. As an application, we use the new measure to gain insight into the behaviour of major implied volatility indices in Japan, Germany, and the US. We find that the US market has lost its dominant role for global volatility discovery with the emergence of the European debt crisis. In recent periods, the German volatility index exhibits the largest information shares. The Japanese market had a higher importance before the global financial crisis, which has almost vanished within recent periods.

ABSTRACTS: SESSION A.2

Stream A.2 – Paper 1

Can Investor Sentiment Be a Momentum Time-Series Predictor? Evidence from China

Xing Han, Ghent University
Youwei Li, Queen's University Belfast

This paper challenges the prevailing view that investor sentiment is a contrarian predictor of market returns at nearly all horizons. As an important piece of "out-of-sample" evidence, we document that investor sentiment in China is a reliable momentum signal at monthly frequency. The strong momentum predictability is robust under both single and multi-regressor settings, and is statistically and economically significant both in and out of sample, enhancing portfolio performance as shown by our numerical examples. More importantly, we find a striking term structure that local sentiment shifts from a short-term momentum predictor to a contrarian predictor in the long run. Cross-sectional analysis reveals that sentiment is more of a small-firm effect. Finally, we confirm that global sentiment spills over to the local Chinese market as it predicts negatively future returns over the longer horizons and in the cross section.

Stream A.2 – Paper 2

Stock return predictability of out-of-the-money option trading

Chang-Mo Kang, University of New South Wales
Donghyun Kim, University of Wisconsin-Milwaukee
Geul Lee, University of New South Wales

We find evidence that unsigned out-of-the money call (put) trading volume, which is publicly observable data, predicts positive (negative) future stock returns. The return predictability is significant both in daily and weekly horizons, and interestingly, it is more significant in larger stocks but unrelated to stock short interests. Using the out-of-the money option trading volume, we propose an implementable investment strategy that offers 20 bp weekly returns (equivalently, about 10% annual returns). We also find evidence that the option volume measure predicts the occurrence of material corporate events such as takeover announcement or earnings surprise. Our finding suggests that the information contained in option markets are relatively slowly incorporated into the stock price.

Stream A.2 – Paper 3

Long-Term Time Series Reversal: International Evidence

Sonja Kobinger, Griffith University
Graham Bornholt, Griffith University
Mirela Malin, Griffith University

This paper is the first to examine the relationship between the long-term past performance and the expected equity returns for MSCI developed country indices using a time-series approach. Extending the recent findings on the short-term "time-series" momentum effect, the evidence indicates that returns following extreme low past long-term performance history tend to outperform those following extreme high past long-term returns. The positive excess returns manifest the long-term "time-series reversal" (TSR) effect. Strategies based on this effect provide persistent superior risk-adjusted returns for up to two years. A diversified country-average portfolio limits downside risk and predicts financial crises with an average lead-time of four months.

ABSTRACTS: SESSION A.3

Stream A.3 – Paper 1

Got information?
The efficiency of price discovery of qualitative and quantitative corporate disclosures

Dennis Y. Chung, Simon Fraser University
Karel Hrazdil, Simon Fraser University
Jiri Novak, Charles University in Prague
Nattavut Suwanyangyuan, Simon Fraser University

Using a comprehensive sample of actively traded US companies, we analyze how the quantity of information in corporate disclosures affects the efficiency with which investors incorporate new information into stock prices. Specifically, we consider quantitative and qualitative levels of detail provided in 10-K disclosures: (1) disaggregation (numerical) quantity (DQ) that captures the 'fineness' of accounting line items in 10-K filings and (2) textual quantity (TQ) that captures the amount of qualitative information in annual reports, and document that both DQ and TQ are associated with reduced information asymmetry, lower cost of immediacy, higher trading activity, and an overall improvement in the efficiency of information price discovery. Collectively, our results provide empirical support for the benefits of detailed corporate disclosure, whether quantitative or qualitative.

Stream A.3 – Paper 2

Information Uncertainty and Target Valuation in Mergers and Acquisitions

Ou (Owen) Liu, Xi'an Jiaotong-Liverpool University
Lin (Jack) Li, Hong Kong Polytechnic University
Zhonghui Shi, Xi'an Jiaotong-Liverpool University

This study examines how a target's information uncertainty affects an acquirer's valuation of the target and the acquirer's gain realized from the transaction. Targets with high information uncertainty perform poorly before the bids. Despite bidding a high premium in the transaction, the acquirer provides a low valuation multiple for a target with high information uncertainty. Acquirer announcement return and combined announcement return decrease if an acquirer assigns a high valuation multiple to the target, indicating that a low valuation given to a target is a significant factor making a deal profitable for the acquirer.

Stream A.3 – Paper 3

Optimism or Over-Precision?
What Drives the Role of Overconfidence in Managerial Decisions?

Kelvin Tan, University of Queensland

Overconfidence has two dimensions: over-optimism and over-precision (miscalibration). Extant empirical studies tend to focus on the former due to an absence of a reliable empirical proxy for the latter. This study disentangles over-optimism and over-precision through a novel exploitation of earnings forecasts issued by management. Our empirical results show that the two distinct overconfidence dimensions have divergent impacts on managerial decisions. In terms of investment, overly precise CEOs are more likely to scale up their investment in real assets (especially via M&A), while firms with optimistic CEOs display no such proclivity. However, on the financing side, both optimistic and overly precise CEOs share a higher propensity to issue debt.

ABSTRACTS: SESSION A.4

Stream A.4 – Paper 1

Are Lucky Endings the Optimal Price Setting?

Danika Wright, University of Sydney

This study examines housing market price setting decisions and sale outcomes. We show that 'lucky 8' price endings are more likely to be chosen than other uncommon price endings by sellers in markets with a high proportion of Asian-background migrants. Interestingly, however, the evidence indicates the perception a lucky price is a seller bias that does not influence buyer behaviour as this price setting has no benefit to the seller. The most common price endings, 9 and 5, achieve better price results while price endings such as 3 and 4 are found to sell in less time.

Stream A.4 – Paper 2

Do investors save trading for a rainy day?

Jessica Y. Wang, Nottingham Trent University
Raphael N. Markellos, University of East Anglia

This paper studies the impact of weather on 31 countries stock index trading volumes, through the influence on investors' attention. First, in our panel analysis we regress trading volumes on four weather variables (temperature, sky cloud cover, precipitation and snow). We find that precipitation and temperature are positively linked to trading volumes while snow has an opposite effect. And this relationship is also found to be nonlinear. We find that the trading volumes increase with low temperature and comfortable conditions whereas decrease with adverse weather conditions. For example, with 1 inch increase of snow leads to 2.82% decrease in trading volume of S&P 500. Second, we directly link weather effect to the measure of attention and sentiment. We find that the attention to the markets decreases with the increase of the temperature whereas weather appears has no impact on the weekly sentiment index of U.S. We propose attention as an alternative channel of weather effect entering the stock markets in addition to the weather sentiment. Lastly, we are able to explore the implications of weather effect and develop the economic application. The economic magnitude of the empirical results show an exploitable aggregate effect when the trading signals are based on 7 developed countries weather influence on U.S. market.

Stream A.4 – Paper 3

Myopic Loss Aversion, Personality and Gender

Robert B. Durand, Curtin University
Lucia Fung, Hong Kong Baptist University
Manapon Limkriangkrai, Monash University

Investors' propensity to exhibit myopic loss aversion (MLA) varies. Our analysis, which follows and extends the experimental design of Gneezy and Potters (1997) and Haigh and List (2005), finds that Neuroticism and Extraversion, two of Norman's "Big 5" personality traits (Norman, 1963) are associated with variation in subjects' MLA. Extraversion, a trait positively associated with risk, reduces MLA. Neuroticism, which has a negative association with risk behaviors, increases MLA. Gender does not appear to have robust association with MLA. Our findings suggest that it may be advantageous to use readily measurable psychological constructs rather than gender per se in both experimental and field research.

ABSTRACTS: SESSION A.5

Stream A.5 – Paper 1

Time-varying Contemporaneous Spillovers during the European Debt Crisis
Marinela Finta, Auckland University of Technology
Bart Frijns, Auckland University of Technology
Alireza Tourani-Rad, Auckland University of Technology

This paper considers contemporaneous spillover effects between Germany and four pe-ripheral European countries that were most affected by the European Debt Crisis, and provides evidence of bi-directional spillovers among these equity markets. We document that there is asymmetry and time-variation in contemporaneous spillovers. Particularly, contemporaneous return spillovers from Germany to the peripheral equity markets is higher than the other way around. We show that whereas Global Financial Crisis led to an increase in the contemporaneous spillover effects, European Debt Crisis led to a decrease in their magnitude.

Stream A.5 – Paper 2

Asymmetric Investor Sentiment Spillovers in International Equity Markets
Massaporn Cheuathonghua, Thammasat University
Pattana Boonchoo, Thammasat University
Chaiyuth Padungsaksawasdi, Thammasat University

This study examines the role of the U.S. investor sentiment in affecting international equity markets at different financial market scenarios by employing multivariate multi-quantile models. We investigate market return, market volatility, and market abnormal trading volume in response to the shocks of the U.S. sentiment by individual country, economic criteria, and geographical areas. Our estimated results indicate the stronger tail cross-dependences between the U.S. sentiment and market indices at the highest quantile than those in the lowest quantile, displaying the asymmetric reactions to the shocks. We additionally find that the U.S. sentiment and volatility exhibit the strongest tail codependences. From asset allocation perspective, our findings suggest that international investors can possibly diversify their portfolio investments in different economies and geographies.

Stream A.5 – Paper 3

Country Governance and International Equity Returns
Ben R. Marshall, Massey University
Hung T. Nguyen, Monash University
Nhut H. Nguyen, Massey University
Nuttawat Visaltanachoti, Massey University

Monthly equity returns in countries with strong governance lead monthly equity returns in countries with weak governance. This predictability is robust to alternative ways of measuring country governance, and holds in and out-of-sample at both the individual country and group levels. It is not driven by differences in country size, liquidity, stock market development, short-selling constraints, or by trade linkages, geographic distance between countries, or microstructure biases. Rather, information is reflected in weak governance country equity returns with a delay due to the slower reaction to global innovations, which contain value-relevant information for all countries.

ABSTRACTS: SESSION B.1

Stream B.1 – Paper 1

Time varying price discovery in VIX Exchange Traded Notes: A tale of retail vs. institutional trades

Adrian Fernandez-Perez, Auckland University of Technology
Bart Frijns, Auckland University of Technology
Ilnara Gafiatulina, Auckland University of Technology
Alireza Tourani-Rad, Auckland University of Technology

This study investigates the intraday price discovery between the VIX short-term futures ETNs (VXX) and inverse VIX short-term ETNs (XIV) for the period January 3, 2011 to December 31, 2015. Applying both the Hasbrouck (1995) information share and the Gonzalo and Granger (1995) common factor weight approach, we observe strong time variation in the price discovery contribution between the direct and inverse notes. We find that the classical measures of trading costs and market liquidity are significant determinants of price discovery. We also document that price discovery of the VXX in-creases with greater institutional ownership and on days when the level of the VIX is high. We also report that order imbalance of both retail and institutional investors has a significant effect on price discovery.

Stream B.1 – Paper 2

VIX Futures ETNs: Tracking Efficiency, Consistency and Price Discovery

Sebastian A. Gehricke, University of Otago
Jin E. Zhang, University of Otago

We examine the tracking efficiency, price consistency and price discovery in the VIX futures Exchange Traded Note (ETN) market, which has been well-developed since 2009. We provide evidence that VIX futures ETNs are not efficiently tracking their indicative values. We also find that VIX futures ETN prices are mostly priced consistently, that is, they have consistent implied index performance factors. We find that the ETN prices predominantly Granger cause futures prices at the intraday level, although the relationship is time varying, therefore the ETNs lead the futures in price discovery. This could explain the contemporaneous tracking inefficiency of the ETNs. Price discovery among the different ETNs seems to happen fairly contemporaneously, although these relationships are also time varying. This is in line with the ETNs being priced consistently.

Stream B.1 – Paper 3

The CBOE Skew

Fang Zhen, University of Otago
Jin E. Zhang, University of Otago

The CBOE SKEW is an index launched by the Chicago Board Options Exchange (CBOE) in February 2011. Its term structure tracks the risk-neutral skewness of the S&P 500 (SPX) index for different maturities. In this paper, we develop a theory for the CBOE SKEW by modelling SPX using a jump-diffusion process with stochastic volatility and stochastic jump intensity. With the term structure data of VIX and SKEW, we estimate model parameters and obtain the four processes of variance, jump intensity and their long-term mean levels. Our results can be used to describe SPX risk-neutral distribution and to price SPX options.

ABSTRACTS: SESSION B.2

Stream B.2 – Paper 1

Do Firm- and Country-level Information Environments Play a Role in Shaping the Rival Responses of Target Firms?

Zhe An, Monash University
Zhian Chen, University of New South Wales
Donghui Li, Jinan University
Michael Murong, University of New South Wales

This paper investigates the impact of firm- and country-level information environments on the rival responses of target firms in initial-industry acquisitions. Employing a sample of 2672 initial-industry target firms across 35 countries from 1989 to 2013, the empirical results show that financial analyst following (i.e., a proxy for more transparent firm-level information environments) is positively related to the announcement returns of rival firms, and that this positive relationship is only valid (invalid) in countries with transparent (opaque) information environments. Moreover, it has been shown that those rival firms that have a higher probability of becoming targets subsequently, or that do in fact become targets subsequently, exhibit higher abnormal returns at the time of initial industry acquisition, compared to other rival firms. The use of two exogenous reduction shocks in the number of financial analysts as instrumental variables, combined with the application of various robustness tests (e.g., exclusion of the U.S. and the U.K. and alternative measures of macro information environments) confirms our main conclusion. Overall, the findings support the Acquisition Probability Hypothesis.

Stream B.2 – Paper 2

The Value of Access to Finance: Evidence from M&A

Jess Cornaggia, Georgetown University
Jay Y. Li, City University of Hong Kong

This paper examines the synergies in mergers and acquisitions generated by targets' comparative advantage in access to bank finance. We find robust evidence that greater access to bank finance increases firms' attractiveness and valuation as acquisition targets. Targets' comparative advantage in bank finance 1) saves financing costs for the merged firms, with stronger effects if the acquirers have greater frictions in accessing bank loans, and 2) enables acquirers with good growth opportunities to borrow more. Both effects boost acquirers' long-term stock performance and profitability. These results reveal that targets, not just acquirers, contribute to financial efficiencies in M&A.

Stream B.2 – Paper 3

Financing Acquisitions with Earnouts

Thomas W. Bates, Arizona State University
Jordan B. Neyland, University of Melbourne and Financial Research Network (FIRN)
Yolanda Wang, University of Melbourne

We present evidence that earnout agreements in acquisitions provide a substantial source of financing to acquirers, averaging 10.71% of acquirer size. Bidders with earnouts are significantly less likely to access external debt or equity to fund acquisitions, consistent with substitution for costly external finance. However, these bids garner higher premiums, suggesting bidders compensate target shareholders for deferring payment. The use of earnouts depends on acquirers' ability to finance investment, as financially constrained acquirers are twice as likely to use an earnout as unconstrained acquirers. We also document supply-side effects, as earnouts are more likely when target parents have higher cash holdings. Overall, our evidence suggests acquirers use earnouts as part of a broader financing decision in acquisitions.

ABSTRACTS: SESSION B.3

Stream B.3 – Paper 1

Where to hide in bad times: Or should one still diversify internationally?

Redouane Elkamhi, University of Toronto
Denitsa Stefanova, University of Luxembourg

Among the stylized features of international equity markets is the pronounced asymmetric nonlinear dependence and upward trend in correlations. Such features call into question investors' efforts to diversify internationally. We propose a model to capture those well understood characteristics of international equity index returns. Casting them in a dynamic portfolio problem, we evaluate the gains for a home-biased investor from including foreign assets in her portfolio. We find that accounting for the optimal dynamic demand for hedging on top of a standard mean-variance portfolio policy brings substantial benefits from international portfolio exposure. Such benefits become increasingly sizeable over long investment horizons.

Stream B.3 – Paper 2

Linkages between Equity and Commodity Markets: Are Emerging Markets Different?

Maria E. de Boyrie, New Mexico State University
Ivelina Pavlova, University of Houston

The financialization of commodities and their inclusion in financial portfolios as part of a diversification strategy may result in higher correlations and volatility spillovers between commodity and financial markets. Although numerous studies focus their attention on the dependence structure between these two markets in the U.S., few have concentrated their attention on emerging markets. To fill this gap in the literature, we calculate the correlation between equity markets and commodities using the dynamic conditional correlation (DCC) model introduced by Engle (2002), while emphasizing the differences between emerging and developed markets co-movements with commodities. The results reveal that emerging markets, especially those in Asia, show a much lower level of co-movement with commodities than developed markets do. Furthermore, it is found that both agricultural and precious metals commodities offer better diversification possibilities in the less developed markets. Similar to Silvennoinen and Thorp (2013), we also find that increases in the VIX are related to higher commodity-equity correlations, while commodity index investment has limited explanatory power.

Stream B.3 – Paper 3

International portfolio diversification and macroeconomic fluctuations when preferences are time-varying

Giuliano Curatola, Goethe Universitat Frankfurt
Ilya Dergunov, Goethe Universitat Frankfurt

We propose a 2-country asset pricing model where agents' preferences change endogenously as a function of the popularity of internationally traded goods. When agents are more sensitive to changes in the popularity of domestic goods than to changes in the popularity of foreign goods, their preferences are endogenously more correlated with the local stock market than with the foreign stock market. There-fore, the home bias arises because the home-country stock represents a better in-vestment opportunity to hedge against future preference fluctuations. We estimate the equations describing the equilibrium quantities of our model and find that preference evolution is a plausible driver of key macroeconomic quantities.

ABSTRACTS: SESSION B.4

Stream B.4 – Paper 1

Leverage and the Japanese Financial Crisis

Joye Khoo, Curtin University
Robert B. Durand, Curtin University

Japanese firms responded to the country's lost decades (失われた20年) by reducing their debt. Average leverage fell from 27.49% in 1990 to 19.34% in 2014. Nearly-all-equity firms (firms with less than 5% leverage ratio) increased from 7% of the sample in 1990 to 22.1% in 2014. Japanese firms exhibit a reliance on internally generated funds and precautionary cash holdings to reduce debt. Japanese firms also appear to exploit relative optimism about their prospects to hold higher debt levels.

Stream B.4 – Paper 2

When do banks mitigate investment inefficiency?

Bart Frijns, Auckland University of Technology
Tu Cam Ho, Auckland University of Technology
Alireza Tourani-Rad, Auckland University of Technology

We investigate the role of banks' monitoring on investment efficiency of US firms. Traditional research argues that bank debts, compared to other sources of debt financing, are superior in monitoring and thus alleviating firms' opportunistic behaviour. However, more recent studies point out that banks' monitoring power has possibly been weakened due to structural changes in markets as well as their strict requirements on collaterals and covenants. Using debt ownership structure to proxy reliance of firms on different debt sources, we find that, in general, firms with higher bank debt proportions have lower investment efficiency. This negative impact, however, is offset for smaller and high growth firms. This finding suggests that while banks might not monitor all borrowers, they selectively discipline firms with certain level of risks and information asymmetry.

Stream B.4 – Paper 3

Market Transparency and Pricing Efficiency: Evidence from Corporate Bond Market

Jia Chen, Peking University
Ruichang Lu, Peking University

This paper investigates how mandatory post-trade market transparency affects pricing efficiency in the corporate bond market. Using the phase implementation of TRACE and a differences-in-differences research design, we find that higher transparency leads to a shorter return drift and a lower price delay. These effects are similar between bonds with low and high liquidity and between bonds with low and high trading activity. In addition, the increase in market transparency leads to a higher co-movement between individual bond return and bond market return. These results highlight the importance of market transparency on the information efficiency in financial markets.

ABSTRACTS: SESSION B.5

Stream B.5 – Paper 1

The Performance of Governmental Venture Capital Firms:
A Life Cycle Perspective and Evidence from China

Yuejia (Aria) Zhang, University of Auckland
David Geoffrey Mayes, University of Auckland

This paper investigates the difference between governmental venture capital firms (GVCs) and private venture capital firms (PVCs) from the perspective of a VC life cycle. Compared to PVC, GVCs put in less effort over the whole cycle due to the lack of a link between current performance and future fundraising, and a less efficient compensation mechanism for those involved. Using data on VC investments in the Chinese market between 1991 and 2010, the empirical results show that portfolio companies backed by GVCs underperform those backed by PVCs in going public. The results are supported by a series of robustness checks and selection bias tests. When taking into consideration unobservable factors which may affect the possibility of being backed by GVCs and achieving an IPO, portfolio companies backed by GVCs have a 31-percentage-point lower possibility of getting listed on the stock market compared with those backed by PVCs.

Stream B.5 – Paper 2

Intervention Policy in a Dynamic Environment: Coordination and Learning

Lin William Cong, University of Chicago
Steven Grenadier, Stanford University
Yunzhi Hu, University of Chicago

We model a dynamic economy with strategic complementarity among investors and a government that intervenes as a large player in global games to mitigate coordination failures. We establish existence and uniqueness of equilibrium, and show interventions not only affect contemporaneous coordination, but dynamically impact subsequent coordination by altering public information structures. Our results suggest that optimal policy should emphasize initial intervention because coordination outcomes tend to be correlated. Failure to consider the information externality of initial interventions results in over- or under-interventions depending on the relative costs across interventions. Moreover, large funds are "too big to save first", because saving smaller funds to generate informational benefits costs less. Our paper is applicable to intervention programs such as the bailouts of money market mutual funds and commercial paper market during the 2008 financial crisis.

Stream B.5 – Paper 3

A theory of political connections through lender compensation, enforcement, and social objectives on interest rates, access to credit, and investment

Michael O'Connor Keefe, Victoria University of Wellington

I model the effect of political connections through the channels of lender compensation, contract enforcement, and social objectives on financial outcomes such as interest rates, default rates, financial constraints, investment decisions, and the manager's decision about whether to be politically connected or unconnected. The model shows that the effect of political connections on financial outcomes depends upon the relative importance of each channel. By demonstrating the influence of each channel, the model helps explain many contradictory empirical findings about the relationship between political connections and financial outcomes.

ABSTRACTS: SESSION C.1

Stream C.1 – Paper 1

Timing is Money: The Factor Timing Ability of Hedge Fund Managers

Albert Jakob Osinga, KAS Bank
Marc B.J. Schauten, VU Amsterdam
Remco C.J. Zwinkels, VU Amsterdam and Tinbergen Institute

This paper studies the level, determinants, and persistence of the factor timing ability of hedge fund managers. We find strong evidence in favor of factor timing ability at the aggregate level, although we find ample variation in timing skills across investment styles and factors at the fund level. Our cross-sectional analysis shows that better factor timing skills are related to funds that are younger, smaller, have higher incentive fees, have a smaller restriction period, and make use of leverage. An out-of-sample test shows that factor timing is persistent. Specifically, the top factor timing funds outperform the bottom factor timing funds with a significant 1% per annum. This constitutes 13% of the overall performance persistence in hedge funds. The findings are robust to the use of an alternative model, alternative factors, and controlling for the use of derivatives, public information, and fund size.

Stream C.1 – Paper 2

Common Holdings in Mutual Fund Family

Jean Chen, University of Liverpool
Li Xie, Xi'an Jiaotong-Liverpool University
Si Zhou, University of Southampton

This paper investigates common holding behaviour across fund members as a consequence of information sharing within fund families, using a sample of US open-end equity mutual funds. We investigate the characteristics of the fund common holdings and their performance consequences upon the individual funds and affiliated fund families. Our main results suggest that common holding portfolios could reflect stellar stock selection skill due to information advantage and carry positive Spillover effects on funds' overall performance, but for low holding fraction. We also identify the potential channels for achieving such superior performance, i.e. IPO allocation, industry concentration and active share. In addition, we find the positive relationship between common holding level of fund portfolios and the probabilities of creating a star fund, offering a new explanation for star fund creation from the common holding perspective.

Stream C.1 – Paper 3

Liquidity Timing in the Higher Moment Framework: Evidence from Bank Affiliated Fund

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Chaiyuth Padungsaksawasdi, Thammasat University
Pornchai Chunhachinda, Thammasat University
Sarayut Nathaphan, Mahidol University International College

A nonnormal stock return distribution is common in emerging markets. We propose a new liquidity timing model in a higher moment. Overall, fund managers are able to time the market-wide liquidity even in a higher moment environment. A coskewness risk factor is statistically priced. High performing portfolios possess significantly positive liquidity timing ability, while low performing portfolios show oppositely. Thus, high performing funds increase (decrease) the funds' exposure to the market during a high (low) market liquidity period, while low performing funds wrongly forecast market liquidity. Moreover, only bank-related mutual funds possess the liquidity timing ability, supporting the information advantage hypothesis.

ABSTRACTS: SESSION C.2

Stream C.2 – Paper 1

Investor Horizons and Employee Satisfaction

Alexandre Garel, Auckland University of Technology
Arthur Petit-Romec, ESCP Europe

What determines a firm's ability to provide a satisfying workplace to its employees? This paper studies the effect of the investment horizon of a firm's investors on employee satisfaction. Since employee satisfaction is an intangible that is not immediately valued by the market but generates firm value over the long-run, we argue that firms with more long-term investors should be in a better position to foster employee satisfaction. Consistent with our argument, we find that long-term ownership is strongly associated with employee satisfaction. The effect of long-term investors on employee satisfaction appears to be causal and not driven by self-selection.

Stream C.2 – Paper 2

Monitors or Certifiers? Different Roles of Private Equity Firms at Different Timing of Investments

Wei-Huei (Wendy) Hsu, Massey University
Martin Young, Massey University

This paper examines the market response to the announcements of receiving investments from the private equity (PE) firms. It is found that the positive market reaction is due to the certification effect that the PE firms may have inside information about the company value. This insider hypothesis is also found in the subsample of repeated investments: market reacts positively when the underperformed companies receive funding from the same PE firms again. On the other hand, when the companies receive investments from the PE firms for the first time, the investors recognises the monitoring role of the PE investors as well as their certification role.

Stream C.2 – Paper 3

Ownership structure, asset intensity and firm performance

Philippe Masset, Ecole hôtelière de Lausanne
Jean-Philippe Weisskopf, Ecole hôtelière de Lausanne

This article studies the interrelation between ownership structure, asset intensity and corporate performance and risk in the hospitality industry. This industry is characterised by a strong presence of blockholders and a strong tendency to divest its real estate making it an ideal setting to analyse the impact on firm performance and risks. Using US and Western European companies over the period 2004-2013 we find that ownership structures affect the asset intensity and the disposal of assets by corporations. We further observe that both these variables have a significant influence on different measures of corporate risk and accounting and market performance. This study provides empirical support for the classic agency theory that ownership structures impact corporate performance through investments and the use of assets. It thus proposes an integrated framework which explains a way through which ownership has an effect on firm performance and risk.

ABSTRACTS: SESSION C.3

Stream C.3 – Paper 1

Intra-Day Revelation of Counterparty Identity in the World's Best-Lit Market

Thu Phuong Pham, University of Adelaide
Peter L. Swan, University of New South Wales
P. Joakim Westerholm, University of Sydney

We study the impact of post-trade disclosure of broker IDs on market efficiency, trading volume and bid-ask spreads in a unique South Korean experiment. We find that simply revealing the ex-post order flow of the major brokers to the entire market improves market efficiency to the level of a random walk and increases trade volume by facilitating the rapid removal of asymmetric information. The least volatile and largest stocks experience a remarkable 59% rise in volume during the afternoon session. Realized spreads fall, indicating greater competition between liquidity suppliers, whereas market impact increases because of more rapid price discovery.

Stream C.3 – Paper 2

Inside the "black box" of Private In-house Meetings Implications for Fair Disclosure and Insider Trading Regulation

Robert M. Bowen, University of San Diego
Shantanu Dutta, University of Ottawa
Songlian Tang, East China University of Science and Technology
Pengcheng Zhu, University of San Diego

While corporate private in-house meetings between investors and management are common across the world, there are generally no detailed reporting requirements for these meetings. The Shenzhen Stock Exchange in China is an exception and thus provides a unique opportunity to look inside the 'black box' to examine the structure and consequences of private in-house meetings. We develop a unique large-scale hand-collected dataset by accessing over 17,000 private meeting reports over 2012-2014 and use reported meeting details to examine the consequences of private in-house meetings. We find that, on average: (i) the stock market anticipates positive news in these private meetings as there is a significant stock price run-up starting about 30 days before the meeting date, (ii) the market reacts strongly and positively around these meeting dates, and (iii) the market reacts again around the subsequent public disclosure of the meeting notes. Further, we find that company insiders engage in significant trading activities around these meeting dates, selling over $12 billion USD of their shares – almost 62% of the total value of all insider trades for Shenzhen-listed firms in our sample period. Most importantly, it appears that company insiders are able to time their transactions: they tend to sell more shares before negative news disclosures but hold off selling when there is positive news to be disclosed in the meeting. Overall, our results suggest that firms disclose material non-public information during these private meetings, and that at least some meeting participants and company insiders trade on this information before it is publicly available. Finally, it appears that disclosure of private meeting details can be beneficial for market participants who are unable to attend such meetings. We discuss implications of these findings for disclosure requirements in the U.S.

Stream C.3 – Paper 3

The Informational Impact of USDA Reports on the Trading Costs of Agricultural Commodities Futures

Adrian Fernandez-Perez, Auckland University of Technology, New Zealand
Bart Frijns, Auckland University of Technology, New Zealand
Ivan Indriawan, Auckland University of Technology, New Zealand
Alireza Tourani-Rad, Auckland University of Technology, New Zealand

We examine the role of information asymmetry on the changes in bid-ask spreads during major United States Department of Agriculture (USDA) announcements. Comparing the information asymmetry component of spread during days with the pre-scheduled USDA announcements and non-announcement days we find that the information asymmetry increases significantly during days with USDA news releases. We further observe that the increase in information asymmetry prior to the news announcement is driven by the divergence in private information possessed by market participants. Finally, we document that, once the USDA news is released, both analysts' forecasts dispersion and news surprises contribute to increased information asymmetry and wider bid-ask spread.

ABSTRACTS: SESSION C.4

Stream C.4 – Paper 1

An Empirical Model of the International Cost of Equity

Mehmet Uzunkaya, Middle East Technical University
H. Engin Kucukkaya, Middle East Technical University

The aim of the study is to propose an empirical model of the international cost of equity by investigating and analysing the long-run relation between disaggregated country risk ratings and country stock market index returns for a large panel of countries. The study tests the hypothesis that, given the available theoretical and empirical evidence, country risk ratings and country stock market index returns should move together in the long-run and there should be a long-run equilibrium between them; thus country risk ratings, with their forward-looking nature about the political, macroeconomic and financial fundamentals of a large number of countries, may behave as long-run state variables for stock returns to the extent they are undiversifiable internationally. The results of the analysis provide evidence in favour of the argument that disaggregated country risk ratings, in particular the political and economic risk ratings, are related to stock market returns in the long-run. Using this relation, an empirical model of the international cost of equity is proposed. The model takes country risk ratings as inputs and finds the international cost of equity for a specific country of known risk ratings.

Stream C.4 – Paper 2

Impact of Corporate Governance on Overinvestment and Underinvestment: An Examination of ASX Listed Companies

Sanaullah Farooq, Auckland University of Technology
Aaron Gilbert, Auckland University of Technology
Alireza Tourani-Rad, Auckland University of Technology

Agency theory suggests that firm investments may deviate from the optimal level resulting in overinvestment and underinvestment. Using a panel of 1035 Australian firms between 2005 and 2014 (7,392 firm-year observations), we investigate the impact of corporate governance on investment efficiency of these firms. We find that better corporate governance improves investment efficiency of the firm by mitigating both overinvestment and underinvestment. Our findings are robust to alternative investment inefficiency proxies, sub-components of corporate governance and endogeneity bias using 2SLS regression.

Stream C.4 – Paper 3

Internationalization and Market Valuation: Evidence from China

Chao Chen, Fudan University
Lishuai Lian, East China Normal University
Gerald J. Lobo, University of Houston

We examine whether the market valuation of Chinese firms with international operations differs from that of Chinese firms without such operations. We find that the market valuation of international firms is lower than that of non-international firms. Further analyses reveal that international firms with more foreign subsidiaries have lower market value, and the interactive effects of internationalization and political connections are more negative for state-owned enterprises than for non-state-owned enterprises. Collectively, our findings shed light on the market valuation implications of internationalization in China and the unique institutional features that affect the valuation.

ABSTRACTS: SESSION C.5

Stream C.5 – Paper 1

Bonanzas, Booms and Banking Crises

Kuntal Das, University of Canterbury
Joe Stuart, University of Canterbury

The paper analyses the risks posed by sudden increase in international capital inflows, termed as "bonanzas", to the financial system. We test to see if gross and net inflow bonanzas increase the probability of banking crises. We also test which of the three components of capital inflows: foreign direct investment, portfolio equity and debt contribute more to this probability. Our main findings are: First, gross and net inflow bonanzas increase the occurrence of banking crises, with gross inflow bonanzas indicating an independent effect. Second, we find gross inflows are more risky than net inflows. Third, we find that debt is the most risky inflow component for both gross and net inflow bonanzas.

Stream C.5 – Paper 2

Is Bank Capital Regulation Costly for Firms? – Evidence from Syndicated Loans

Luisa Lambertini, École Polytechnique Fédérale de Lausanne
Abhik Mukherjee, École Polytechnique Fédérale de Lausanne

This paper estimates the impact of bank capital regulation on lending spreads. We use firm-level data on large syndicated loans matched with Bank Holding Company (BHC) data for the lending banks in our panel regressions. We find that higher bank capital leads to an increase in the loan pricing. Further, we investigate if stress test failure under the Supervisory Capital Assessment Program and Comprehensive Capital Analysis and Review leads to higher loan spreads, since financial institutions that failed were required to raise capital in the short run. Using difference-in-difference framework, we find: 1) BHCs that failed the stress tests increased their loan pricing; 2) Loan pricing is higher for all banks after the commencement of the stress tests. These findings suggest that greater regulatory oversight and higher capital requirements have made syndicated loans more costly for firms.

Stream C.5 – Paper 3

Risk-insensitive Regulation

Alexander Bleck, University of British Columbia

Banking is risky and prone to failure. Yet banking regulation is surprisingly not all that risk-sensitive. When the bank has an informational advantage over the regulator, designing banking regulation both affects and reflects bank behaviour. This gives rise to a trade-off in risk-sensitive regulation: relying on the banking market for information to refine regulation improves bank risk-taking but also aggravates the market's allocative failure (increases risk and instability) and could undermine its informativeness. This tension could explain why Basel capital regulations are often coarse or information-light.

ABSTRACTS: SESSION C.6

Stream C.6 – Paper 1

Tradable Goods Sector Productivity Shocks and Asset Prices

Ruchith Dissanayake, University of Alberta

By introducing a novel exogenous high frequency measure, I explore asset pricing and macroeconomic dynamics of tradable goods sector productivity (TSP) shocks. A positive TSP shock reduces consumption in the short run as the economy allocates resources towards exports and investment to raise further productivity. Asset with high sensitivity to the TSP shock have lower returns, on average, given that such assets decrease the volatility of agent's consumption stream. The negative TSP risk premium is statistically and economically significant and survives a number of robustness tests. Also, I provide evidence that TSP shocks contribute to the well documented size premium."

Stream C.6 – Paper 2

Harvesting Commodity Risk Premia

Adrian Fernandez-Perez, Auckland University of Technology
Ana-Maria Fuertes, City University, London
Joelle Miffre, EDHEC Business School

Recent research in commodity futures pricing has established that long-short strategies based on individual signals (such as the slope of the term structure of commodity futures prices, past performance, or hedging pressure…) offer a better performance than long-only portfolios. However, instead of devoting efforts to comparing the existing K individual signals with a view to helping investors to choose ex-ante one signal, our research aims at unifying the literature by combining the strengths of all K signals. This paper proposes long-short combined strategies that combine the individual signals. Our results suggest that the combined signals generate more accurate buy/sell recommendations than either one of the K individual signals taken in isolation. The combined signals portfolios are also found to better explain the cross-sectional variations in commodity futures returns better than any of the alternatives previously proposed. All in all, we conclude that the combination strategies we propose are found to capture the risk premium of commodity futures better than individual signals.

Stream C.6 – Paper 3

Fracking, Drilling, and Asset Pricing: Estimating the Economic Benefits of the Shale Revolution

Erik Gilje, University of Pennsylvania
Robert Ready, University of Rochester
Nikolai Roussanov, University of Pennsylvania, and NBER

We quantify the effect of a significant technological innovation, shale oil development, on asset prices. Using stock price changes on major news announcement days allows us to link aggregate stock price changes to shale technology innovations. We exploit cross-sectional variation in industry portfolio returns on days of major shale oil-related news announcements to construct a shale mimicking portfolio. This portfolio can help explain aggregate stock market fluctuations, but only during the time period of shale oil development. Based on the estimated effect of this mimicking portfolio on aggregate stock market returns, we find that \$2.5 trillion of the increase in aggregate U.S. equity market capitalization since 2012 can be attributed to shale oil. We also find that 22.2% of private sector job growth since 2012 is linked with the development of shale oil technology.

ABSTRACTS: SESSION D.1

Stream D.1 – Paper 1

Jump Risk: A Cubic-Variation Approach

Fang Zhen, University of Otago
Jin E. Zhang, University of Otago

Jump risk is an important risk factor in financial markets. In this paper, we identify jump risk in the S&P 500 index by using the sum of cubed returns, i.e., realized cubic variation, and further detect a jump event if its absolute value is higher than a given threshold. The option-implied and past time-series information are used to forecast the future one-month jump risk and jump events. Our empirical results show that the option-implied information, which is extracted from the VIX and SKEW indices, coupled with past diffusive variance is more efficient in forecasting future jump risk than is time-series information. We also find that the jump-size risk premium induces a significant negative relation between the realized cubic variation and its risk-neutral expectation. In addition, the past realized variance information outperforms the option-implied information in forecasting future jump events.

Stream D.1 – Paper 2

A Jumping Index of Jumping Stocks?
An MCMC Analysis of Continuous-Time Models for Individual Stocks

Alessandro Pollastri, Maastricht University
Paulo Rodrigues, Maastricht University
Norman J. Seeger, VU University
Christian Schlag, Goethe University

This paper examines continuous-time models for the S&P 100 index and its constituents. First, we find that the stylized facts found in the index literature do not carry over to single stocks. Second, parameter estimates for the stochastic processes for single stocks imply pronounced heterogeneity in the cross-section. Third, we find that a jump in the index is not necessarily accompanied by a large number of contemporaneous jumps in its constituents stocks. Consequently, fourth, index jumps can be classified as induced by either a strongly increasing correlation between the returns on individual stocks or by macroeconomic events.

Stream D.1 – Paper 3

Jump Activity Analysis for Affine Jump-diffusion Models: Evidences from the Commodity Market

José Da Fonseca, Auckland University of Technology
Katja Ignatieva, University of New South Wales

The objective of this paper is to perform a joint analysis of jump activity for commodities and their respective volatility indices. Exploiting the property that for affine jump-diffusion models a volatility index, which is quoted on the market, is an affine function of the instantaneous volatility state variable (thus turning this quantity observable), we perform a test of common jumps for multidimensional processes to assess whether an asset and its volatility jump together. Applying this test to the crude oil pair USO/OVX and the gold pair GLD/GVZ we find strong evidence that for these two markets the asset and its volatility have disjoint jumps. This result contrasts with existing results for the equity market and underpins a very specific nature of the commodity market. The results are further confirmed by analysing jump size distributions using a copula methodology.

ABSTRACTS: SESSION D.2

Stream D.2 – Paper 1

Default and liquidation timing under asymmetric information
Michi Nishihara, Osaka University
Takashi Shibata, Tokyo Metropolitan University

We consider a dynamic model in which shareholders delegate a manager, who observes private information about running and liquidation costs of the firm, to operate the firm. We analytically derive the shareholders' optimal contract contingent on the cost structure of the firm. The information asymmetries change the high-cost firm's default and liquidation timing. Even if the liquidation value is higher than the face value of debt, the shareholders of the high-cost firm, unlike in the symmetric information case, can choose default rather than liquidation in order to reduce the information rent to the manager. The information asymmetries accelerate negative liquidation and delay positive liquidation, while they accelerate default. Although the information asymmetries decrease the equity and firm values, they may increase the debt value. The optimal leverage ratio of the asymmetric information case becomes higher than that of the symmetric information case because more debt mitigates the loss due to the information asymmetries. Our results can potentially account for many empirical findings.

Stream D.2 – Paper 2

Economic Uncertainty, Aggregate Debt, and the Real Effects of Corporate Finance
Timothy C. Johnson, University of Illinois

To explore the real effects of corporate leverage on aggregate risk and welfare, I develop a tractable general equilibrium model with endogenous capital structure driven by time-varying economic uncertainty. Fitting the model leads to interesting insights as to the shortcomings of the standard paradigm. Contrary to the trade-off version, the empirical relation between uncertainty and aggregate debt is positive. This association is not attributable to supply-side constraints or adjustment costs. An alternative formulation in which debt incentives rise with uncertainty can account for the observed dynamics of uncertainty, credit spreads and leverage. This version, unlike the trade-off model, implies that the real effects of debt on the equilibrium can become severely negative.

Stream D.2 – Paper 3

Organization and Innovation under Costly Information
Fei Ding, Hong Kong University of Science and Technology
Peter MacKay, Hong Kong University of Science and Technology

We model organization and innovation when project owners either seek funding as standalone firms or compete for resources within a cash-rich conglomerate. Project productivity, discovery costs, internal competition, and innovation potential interact to yield a wealth of outcomes: Conglomerates are likely to dominate standalones when internal competition is keen or mild. High (low) productivity and high (low) potential favour conglomerates (standalones), regardless of innovative effort. But conglomerates foster (stifle) innovation if productivity is low (high) and potential is high (low); conversely for standalones. Our analysis sheds new light on innovation incentives and explains mixed empirical findings relating innovation to organization.

ABSTRACTS: SESSION D.3

Stream D.3 – Paper 1

Mood and Analyst Optimism and Accuracy

Yuk Ying Chang, Massey University
Wei-Huei (Wendy) Hsu, Massey University

Does mood affect prediction performance? When analysts are in a positive (negative) mood, do they make more positively (negatively) biased and less (more) accurate forecasts? This study provides supportive evidence. Specifically, we find that analyst forecasts are more optimistic and have larger errors near holidays, but more pessimistic and have smaller errors when there is a disaster with significant fatalities. We further show that these results are neither driven by sentiment associated with contemporaneous economic or market conditions, nor by under-reaction or over-reaction to more bad news released on days immediately before weekends or holidays.

Stream D.3 – Paper 2

Driving the Presence of Investor Sentiment: the Role of Media Tone in IPOs

Zhe Shen, Xiamen University
Jiaxing You, Xiamen University
Michael Arthur Firth, Lingnan University

This paper examines whether the media can drive the presence of investor sentiment around the IPO event through the tone channel. Using word frequency analysis to define whether one newspapers article is positive or negative and measuring media tone as the number of positive in excess of negative newspapers articles in the pre-IPO period, we find robust evidence that media tone is positively related to IPO first-day returns while negatively related to long-run abnormal returns for a sample of Chinese book-built IPOs over the 2005-2012 period. One positive newspapers article can predict not only an increase of up to 6.95 percentage points in first-day returns but also a decrease of 10.93 percentage points in three-year abnormal returns. Further analysis suggests that media tone tends to increase first-day retail trading and attracts more retail investors to subscribe new shares in the primary market. Taken together, these findings are consistent with our hypothesis that media tone drives retail demand for IPOs, leading to a temporary deviation from fundamentals in post-IPO prices.

Stream D.3 – Paper 3

Political Relations and Media Coverage

Thomas Ruf, University of New South Wales
Jun Myung Song, University of New South Wales
Bohui Zhang, University of New South Wales

In this paper, we show how bilateral political relationship (political proximity) between US and other countries affect the US media towards 2,498 firms with American Depositary Receipts (ADRs). As a proxy for negativeness of US media, we count annual fraction of positive and negative news for each ADR firms by using RavenPack's sentiment score - Event Sentiment Score (ESS). We find that bad bilateral political relationship between countries and US negatively affect US media towards ADR firms. Further we empirically show that media negativeness has downward pressure on prices which is followed by a reversion to fundamentals by using daily ADR stock returns (in non-US market) and such reversion is larger when the political proximity is bad. We conclude our paper by showing that negative media coverage leads to higher likeliness of ADR firms to terminate their ADRs.

ABSTRACTS: SESSION D.4

Stream D.4 – Paper 1

The Role of Luck in the Career Path of CEOs and Directors
Amir Barnea, HEC Montréal

This paper argues that in a market where asymmetric information is present, it is possible to mask one's set of skills for a relatively long period, and in some cases even an entire career. Specifically, we investigate the executive market and analyse the career paths of individual directors as well as CEOs who constantly seek additional appointments. Using simulations calibrated with parameters based on real data, we show that it is possible for (lucky) directors whose set of skills is at the lowest septile of the population, to stick to their positions as directors for a career that can be as long as 40 years. Similarly, CEOs with poor credentials can continue to run their firms for as long as 20 consecutive years, without being identified by the market as low-ability CEOs. The paper emphasizes the role of luck in one's career as well as the limitations of an efficient allocation in the presence of asymmetric information.

Stream D.4 – Paper 2

Preoccupied Independent Directors
Emma Jincheng Zhang, University of New South Wales

Busy independent directors are not constantly "busy" and "independent" all the time and in all firms they serve for. To reflect this, I identify the actual time periods that a firm's independent directors are preoccupied by serious external circumstances. These external circumstances include severe health issues, national awards (for outside activities) and major distractions from more important positions at unaffiliated firms where the director concurrently serves, such as major illness or turnover of the CEO or other director on the same committee, firm underperformance, financial misconduct investigations, financial distress and large acquisitions and divestitures. On average 22% of independent directors are identified to be preoccupied each year. Using difference-in-difference and matching and after controlling for number of directorships, I find that these directors have lower meeting attendance and more frequently relinquish less prestigious directorships, conditional on poor firm performance. Firms with a higher proportion of preoccupied independent directors tend to have lower firm value and worse M&A performance. These firm-level negative effects are stronger when the preoccupied independent directors have important monitoring responsibilities.

Stream D.4 – Paper 3

Non-dividend protected executive options and dividend policy: Evidence from SFAS 123R
Jean Canil, University of Adelaide

In this paper, we examine how granting non-dividend protected executive options affects payout policy during the period 2001-2008. Using a difference-in-difference estimation along with the introduction of SFAS 123R, we find that firms with non-optioned executives increase dividends more than firms with optioned executives, post- versus pre-SFAS 123R. Our result questions whether non-dividend protected executive options are an impediment to paying dividends, given that payout policies of firms with non-optioned executives are unaffected by SFAS 123R. Our result is robust to numerous checks such as pre-SFAS 123R dividends, consistent and inconsistent dividend payers and firms dropping options completely post-SFAS 123R, as well as controlling for endogeneity. Our evidence suggests that expensing of options has no effect on dividend policy.

ABSTRACTS: SESSION D.5

Stream D.5 – Paper 1

Equilibrium Equity and Variance Risk Premiums in a Cost-free Production Economy

Xinfeng Ruan, University of Otago
Jin E. Zhang, University of Otago

This paper provides a production-based equilibrium model with a recursive-preferences investor, which successfully explains the equity premium puzzle and the large negative variance risk premium with a low risk aversion setting and theoretically generates the negative sign of the diffusive volatility risk premium. The empirical results show that the stochastic volatility with contemporaneous jumps model built in our cost-free production economy can well capture the equity premium, the realized variance and the implied variance, so that the model can successfully explain both the large equity and variance risk premiums.

Stream D.5 – Paper 2

Rise of Factor Investing: Asset Prices, Informational Efficiency, and Security Design

Lin William Cong, University of Chicago
Douglas Xu, University of Chicago

We model financial innovations such as Exchange-Traded Funds (ETFs), smart beta products, and many index-based vehicles as composite securities that facilitate trading large baskets of assets and encourage factor investing. Consistent with recent empirical findings, we show composite securities lead to larger trading costs and synchronicity for illiquid assets, and lower asset-specific but higher factor information in prices, while increasing their return volatility and co-movements. Regardless of their informedness and liquidity needs, factor investors prefer the same composite security designs that entail liquid and representative assets. We also discuss how transparency of composite security trading, distinction between composite bundles and derivatives, and endogenous information acquisition affect pricing and security design.

Stream D.5 – Paper 3

Heterogeneous Beliefs among Retail and Institutional Investors

Bart Frijns, Auckland University of Technology, New Zealand
Thanh D. Huynh, Monash University, Australia
Alireza Tourani-Rad, Auckland University of Technology, New Zealand
P. Joakim Westerholm, University of Sydney, Australia

In this paper, we extend the heterogeneous agent modelling framework by making use of a data set that allows us to uniquely classify trades as either retail or institutional. These data allow us to investigate whether it is indeed the switching in beliefs of traders that causes the unique dynamics documented by heterogeneous agent models, or whether agents have fixed beliefs, but it is the changing proportion of trader types (retail versus institutional) that causes this dynamics. Over our sample period from January 2000 to December 2011, we find strong evidence of heterogeneous beliefs among both trader groups, which actually is stronger than what we observe in the model that does not account for the different trader types. In addition, we observe that both trader groups have different expectations with regards to the fundamental price, with retail traders having lower expectations than institutional traders. We attribute these different expectations to different levels of risk aversion of the two trader types.

ABSTRACTS: SESSION E.1

Stream E.1 – Paper 1

A Comprehensive Look at the Return Predictability of Variance Risk Premia

Suk-Joon Byun, Korea Advanced Institute of Science and Technology
Bart Frijns, Auckland University of Technology
Tai-Yong Roh, Auckland University of Technology

The discrepancy between the in-sample and out-of-sample predictability of common return predictors for equity premiums has been widely discussed in the literature. There is also a growing amount of evidence that the variance risk premium predicts the excess returns of various assets in-sample. We examine the out-of-sample predictability of variance risk premiums (VRP) and its economic significance. We also show that the VRP-based predictability model for international equity returns outperform the no-predictability benchmark in economic terms. We extensively examine out-of-sample predictability of VRP for other asset class. We find strong out-of-sample predictability of VRP for equity portfolios and currency markets.

Stream E.1 – Paper 2

Model Complexity and Out-of-Sample Performance: Evidence from S&P 500 Index Returns

Andreas Kaeck, University of Sussex
Paulo Rodrigues, Maastricht University
Norman J. Seeger, VU University

We apply a range of out-of-sample specification tests to more than forty competing stochastic volatility models to address how model complexity affects out-of-sample performance. Using daily S&P 500 index returns, model confidence set estimations provide strong evidence that the most important model feature is the non-affinity of the variance process. Despite testing alternative specifications during the turbulent market regime of the global financial crisis of 2008, we find no evidence that either finite- or infinite-activity jump models or other previously proposed model extensions improve the out-of-sample performance further. Applications to Value-at-Risk demonstrate the economic significance of our results. Furthermore, the out-of-sample results suggest that standard jump diffusion models are misspecified.

Stream E.1 – Paper 3

Nearness to the 52-week high and low prices, past returns, and average stock returns

Li-Wen Chen, National Chung Cheng University
Hsin-Yi Yu, National University of Kaohsiung

This study examines the interactions between trading strategies based on the nearness to the 52-week high, the nearness to the 52-week low, and past returns. We offer evidence that the nearness to the 52-week low has predictive power for future average returns. Our results also reveal that the nearness to the 52-week high as well as to the 52-week low and past returns each have certain exclusive unpriced information content in the cross-sectional pricing of stocks. Moreover, a trading strategy based on the nearness to the 52-week low provides an excellent hedge for the momentum strategy, thereby nearly doubling the Sharpe ratio of the momentum strategy.

ABSTRACTS: SESSION E.2

Stream E.2 – Paper 1

Common ownership and compensation

Lantian Liang, University of Texas at Dallas

I study how institutional common ownership of same-industry firms affects the use of peer benchmarking for CEO pay. Using information on U.S. firms over the period of 1992-2013, I find that institutional common ownership of firms in the same industry influences the CEO compensation setting in firms and firms are more likely to put positive weight on their peers they share blockholders with. Using the quasi-natural experiment of merger between BlackRock and Barclay Global Investor, I establish causality between common blockholders and anti-competitive CEO compensation. I also find evidence suggesting that firms sharing common blockholders cooperate in product markets through product differentiation and geographic location and thus enjoy increased combined market share.

Stream E.2 – Paper 2

CEO equity-based compensation and abrupt performance declines

Jean Canil, University of Adelaide
Bruce A. Rossera, University of Adelaide

We study stock and option grants to continuing CEOs around abrupt performance declines and find that stock grants are more likely granted than options as the decline is more severe. We find that stock grants are preferred to option grants when firms face operational decline but option grants are preferred when firms face financial decline. Firms making these adjustments outperform those that do not for three years following the decline and are less likely to engage in asset restructuring. Employing the passage of SFAS 123R as a quasi-natural experiment and a paired year design, we provide causal evidence in support of the negative relation between CEO effort and exercise price. We conclude that not only are stock and option grants viable alternatives to addressing performance declines for continuing CEOs, but that the choice matters.

Stream E.2 – Paper 3

Manager Attribute and CEO Selection

Lin (Jack) Li, Hong Kong Polytechnic University
Wilson H.S. Tong, Hong Kong Polytechnic University

In Goel and Thakor (2008), CEO promotion favours overconfident over rational managers but boards fire overconfident CEOs upon knowing their confidence attribute. In this paper, we examine and demonstrate distinctive attribute transition patterns between forced turnovers and retirements. Specifically, firms show a correctional pattern of attribute convergence by replacing fired CEOs with rational CEOs but firms show an attribute continuity pattern by replacing retiring CEOs with CEOs of the same attribute. Hence, confidence attribute is an important factor assessed by the board for CEO selection. Importantly, we find disproportionately more overconfident CEOs working and retiring in innovative industries.

ABSTRACTS: SESSION E.3

Stream E.3 – Paper 1

Private Information in the Chinese Stock Market: Evidence from Mutual Funds and Corporate Insiders
Yeguang Chi, Shanghai Jiaotong University

I find evidence of valuable private information in the Chinese stock market. First, Chinese actively managed stock mutual funds outperform passive benchmarks including market, size, value, and momentum factors. Most funds appear to have skill, and much of that skill consists of stock-picking ability. Second, Chinese corporate insiders also outperform the market. Private information associated with insider trades is more valuable for stocks of state-owned enterprises and for more volatile stocks. Third, I find strong correlation patterns between the performance of stock funds and corporate insiders. Funds that trade more in the same direction as insiders perform better. Funds' larger shareholding positions correlate more with insiders and perform better. Funds with a higher portfolio concentration in these large positions outperform funds with a lower concentration. Finally, I find evidence of performance erosion for both stock funds and corporate insiders, a sign of improvement in market efficiency.

Stream E.3 – Paper 2

A Tale of Two Consequences Intended and Unintended Outcomes of the Japan TOPIX Tick Size Changes
Ravi Kashyap, Markit / City University of Hong Kong

We look at the effect of the tick size changes on the TOPIX 100 index names made by the Tokyo Stock Exchange on Jan-14-2014 and Jul-22-2014. The intended consequence of the change is price improvement and shorter time to execution. We look at security level metrics that include the spread, trading volume, the number of trades and the size of trades to establish whether this goal is accomplished. An unintended effect might be the reduction in execution sizes, which would then mean that institutions with large orders would have greater difficulty in sourcing liquidity. We look at a sample of real orders to see if the execution costs have gone up across the orders since the implementation of this change. We study the mechanisms that affect how securities are traded on an exchange, before delving into the specifics of the TSE tick size events. Some of the topics we explore are: The Venue Menu and How to Increase Revenue; To Automate or Not to Automate; Microstructure under the Microscope; The Price of Connections to High (and Faraway) Places; Speed Thrills but Kills; Pick a Size for the Perfect Tick; TSE Tick Size Experiments, Then and Now; Sergey Bubka and the Regulators; Bird's Eye View; Deep Dive; Possibilities for a Deeper Dive; Does Tick Size Matter? Tick Size Does Matter!

Stream E.3 – Paper 3

Impact of Short-selling Restrictions on Futures Pricing: Evidence from China
Andrew Lepone, Macquarie Graduate School of Management
Jun Wen, Macquarie Graduate School of Management
Jin Boon Wong, Macquarie Graduate School of Management
Jin Young Yang, Macquarie Graduate School of Management

This study examines the impact of short-selling restrictions on the pricing efficiency of CSI 300 index futures contract, using intraday trading data in the Chinese capital market. In mid-2015, the Chinese regulator imposed short-selling restrictions to curb stock market volatility. Evidence indicates that restrictions over the access to stock short-selling services led to significant stock index futures mispricing, in terms of frequency and magnitude. Further, significant under-pricing of futures contracts relative to its underlying stock index is observed. This change in regulation appears to have led to the deterioration in futures market efficiency after the implementation of short-selling restrictions.

ABSTRACTS: SESSION E.4

Stream E.4 – Paper 1

Deposit Insurance Design and Credit Union Risk

Christina Atanasova, Simon Fraser University
Mingxin Li, Simon Fraser University
Mehrdad Rastan, Financial Institutions Commission, Canada

Using data for 107 Canadian credit unions for the period April 1992 to December 2014, this paper analyzes the impact of changes in deposit insurance on earnings uncertainty. In particular, we examine the 2008 amendment to the Financial Institutions Act that involves two changes to the existing deposit Insurance program: (1) the introduction of unlimited deposit insurance protection; and (2) the implementation of risk-based insurance premium. We find that the policy change decreased the annualized conditional volatility of the return on risk-weighted assets, spurred deposit growth and encouraged credit unions to increase their capital-to-asset ratio. Our results support the hypothesis that an increase in insurance coverage boosts depositors' confidence, and a risk-based premium mitigates moral hazard. The effect of the policy was stronger for small unions, those with low leverage, and lower systemic importance.

Stream E.4 – Paper 2

Multiemployer Defined Benefit Pension Plans' Liability Spillovers: Important Connections in U.S. Unionized Industries

Barbara Chambers, Monash University

A multiemployer defined pension plan (MDBP) is a collectively bargained pension plan maintained by two or more employers and a labor union. MDBPs pool risks, contributions, assets, and liabilities. Bankruptcy by MDBP firms usually results in almost constant MDBP total liabilities but a shrinking pool of contributing MDBP employers, thus increasing MDBP liabilities for the remaining MDBP employers and exposing them to "liability spillover risks." I document the economic magnitudes of public firms' MDBP liabilities and MDBP liability spillovers from other public companies, information relevant to both finance academics and policy makers. I find three companies with 5-year expected MDBP liability spillovers exceeding 1% of their book assets. On average, MDBP companies' leverage ratios increase by 4% once I consolidate MDBP liabilities into capital structure and by more than 6% once I consolidate MDBP liabilities and expected liability spillovers into capital structure.

Stream E.4 – Paper 3

Distress Risk: An Accelerated Failure Time Survival Analysis Approach

William Taylor, University of Sydney
Jiri Svec, University of Sydney

This paper explores the performance of an accelerated failure time (AFT) survival model in predicting corporate bankruptcies. AFT models provide an alternative to the proportional hazard model that allows for non-monotonic hazard functions with respect to time and does not assume proportionality. We show that at a quarterly frequency, the AFT model outperforms comparative models from literature in terms of both in-sample and out-of-sample bankruptcy prediction accuracy across all evaluation metrics. Furthermore the AFT specification generates a parsimonious prediction model and models the survival time directly and thus provides more intuitive summary statistics.

ABSTRACTS: SESSION E.5

Stream E.5 – Paper 1

Global price discovery in the Australian dollar market and its determinants
Fei Su, University of Technology Sydney

Using intraday trading data over the period of January 1999 to December 2013, this paper examines the price discovery of the Australian dollar (AUD) as well as its determinants. We employ a non-parametric Two-scale Realized Variance estimator (TSRV) to estimate the global information distribution of AUD. We find that the European market and particularly the overlapping trading hours of London and New York are the most important markets of price discovery in AUD. We also find that, despite the declining market share of the daily transactions, Asia is rapidly gaining in terms of the information share. In order to examine the determinants of the information shares, we include macroeconomic news as well as order flow measures to market state variables. We find that more favorable market states and more unexpected order flows on macroeconomic announcement days make a significant contribution to the AUD price discovery. Our results also confirm that a higher level of market integration and international consolidation contribute to the price discovery process in the long-run.

Stream E.5 – Paper 2

Sample selection bias, return moments, and the performance of optimal versus naive diversification
Bowei Li, University of Melbourne

I examine the sample selection bias in portfolio horse race. Numerous studies propose mean-variance portfolio rules to outperform the naive 1/N portfolio rule. However, the outperformance is often justified by a small number of pre-selected datasets. Using a new performance test based on a large number of datasets, I compare thirteen “1/N outperformers” with the naive rule. Results show that not only a majority of the thirteen “1/N outperformers” on average underperform the 1/N rule significantly, but also none of these mean-variance rules significantly outperform the naive benchmark in more than 10% of the datasets. To improve mean-variance portfolio performance, I propose a switching strategy that selects between a mean-variance rule and the 1/N rule using predictability of portfolio performance based on assets’ return moments. The new strategy outperforms not only its raw mean-variance rule but also the naive rule significantly out-of-sample.

Stream E.5 – Paper 3

Asymmetric Jump Beta Estimation with Implications for Portfolio Risk Management
Vitali Alexeev, University of Technology Sydney
Wenying Yao, University of Tasmania
Giovanni Urga, Deakin University

We evaluate the impact of extreme market shifts on equity portfolios. Assuming that investors care differently about downside losses as opposed to upside gains, we estimate jump sensitivities for the negative and positive market shifts. We study the implications of the difference in negative and positive sensitivities to market jumps for portfolio risk management by contrasting the results for individual stocks with the results for portfolios with varying number of holdings. In the context of a portfolio, we investigate to what extent the downside and upside jump risks can be diversified away. Varying the jump identification threshold, we show that the asymmetry is more prominent for more extreme events and that the number of holdings required to stabilise portfolios’ sensitivities to negative jumps is higher than under positive jumps. Ignoring this asymmetry results in under-diversification of portfolios and increased exposure to extreme negative market shifts.

MEETING PARTICIPANTS

Particpant	Affliliation	Streams
Vitali Alexeev	University of Technology Sydney	A.1 and E.5
Zhe An	Monash University	B.2
Christina Atanasova	Simon Fraser University	DS, B.4 and E.4
Amir Barnea	HEC Montréal	A.3 and D.4
Alexander Bleck	University of British Columbia	C.5
Jean Canil	University of Adelaide	A.3, C.1, D.4 and E.2
Barbara Chambers	Monash University	E.4
Chao Chen	Fudan University	C.4
Jia Chen	Peking University	B.4 and C.2
Massaporn Cheuathonghua	Thammasat University	A.5
Yeguang Chi	Shanghai Jiaotong University	B.3 and E.3
Lin (Will) Cong	University of Chicago	B.5 and D.5
José Da Fonseca	Auckland University of Technology	DS and D.1
Kuntal Das	University of Canterbury	C.5
Maria E de Boyrie	New Mexico State University	A.5 and B.3
Ilya Dergunov	SAFE, University Frankfurt	A.5 and B.3
Ruchith Dissanayake	University of Alberta	C.6
Robert Durand	Curtin University	A.4, B.4 and D.3
Redouane Elkamhi	University of Toronto	B.3
Sanaullah Farooq	Auckland University of Technology	C.4
Adrian Fernandez-Perez	Auckland University of Technology	C.6
Marinela Finta	Auckland University of Technology	A.5 and D.1
Bart Frijns	Auckland University of Technology	DS, C.1 and D.5
Ilnara Gafiatulina	Auckland University of Technology	DS and B.1
Alexandre Garel	Auckland University of Technology	C.2 and E.2
Sebastian Gehricke	University of Otago	B.1 and D.1
Aaron Gilbert	Auckland University of Technology	C.3
Xing Han	University of Otago	A.2
Tu Cam Ho	Auckland University of Technology	DS and B.4
Karel Hrazdil	Simon Fraser University	A.3
Wei-Huei (Wendy) Hsu	Massey University	C.2, D.3 and E.4
Ivan Indriawan	Auckland University of Technology	DS, C.3 and E.3
Timothy C. Johnson	University of Illinois	D.2
Chang-Mo Kang	University of New South Wales	A.2
Ravi Kashyap	City University of Hong Kong	E.3
Michael O'Connor Keefe	Victoria University of Wellington	B.5
Sonja Kobinger	Griffith University	A.2
Engin Küçükkaya	METU (Middle East Technical University)	C.4
Andrew Lepone	Macquarie Graduate School of Management	C.3 and E.3
Yin (Jay) Li	City University of Hong Kong	B.2
Lin (Jack) Li	Hong Kong Polytechnic University	A3, C.2 and E.2
Bowei Li	Melbourne University	DS, B.1 and E.5
Lantian Liang	University of Texas at Dallas	E.2
Alan Lok	CFA Institute	
Xiangyun Lu	Xi'an Jiaotong-Liverpool University	DS
Peter MacKay	HKUST	D.2

Particpant	Affliliation	Streams
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Abhik Mukherjee	École Polytechnique Fédérale de Lausanne	DS and C.5
Jordan Neyland	University of Melbourne	B.2
Michi Nishihara	Osaka University	D.2
Chaiyuth Padungsaksawasdi	Thammasat University	A5
Thu Phuong Pham	University of Adelaide	B.1 and C.3
Xiao Qiao	University of Chicago	A.1
Robert Ready	University of Rochester	C.6
Tai-Yong Roh	Auckland University of Technology	E.1
Arthur Petit-Romec	ESCP Europe	C.2
Xinfeng Ruan	University of Otago	D.5
Ayesha Scott	Auckland University of Technology	A.1 and E.5
Norman Seeger	Vrije Universiteit Amsterdam	D.1 and E.1
Zhe Shen	Xiamen University	A.4 and D.3
Jun Song	University of New South Wales	A.4 and D.3
Fei (Scott) Su	University of Technology, Sydney	C.3 and E.5
Jiri Svec	The University of Sydney	E.4
Tony Tan	CFA Institute	
Kelvin Tan	The University of Queensland	A.3 and D.4
Milena Tieves	University of Hagen	DS, A.1 and E.5
Alireza Tourani-Rad	Auckland University of Technology	E.2
Yulong (Yolanda) Wang	Melbourne University	DS
Jessica Wang	Nottingham Trent University	A.4 and D.3
Diamond Wang	University of Auckland	DS
Yongning Wang	University of Chicago	A.1
Woraphon Wattanatorn	Thammasat Business School	C.1
Robert Webb	University of Virginia	A.1 and K.2
Jean-Philippe Weisskopf	Ecole hoteliere de Lausanne	C.2 and E.2
Russ Wermers	University of Maryland	K.1
Danika Wright	The University of Sydney	A.4
Li Xie	Xi'an Jiaotong-Liverpool University	C.1
Yahua Xu	Auckland University of Technology	DS
Jing Xu	UNSW	DS
Hsin-Yi Yu	National University of Kaohsiung	E.1
Aria (Yuejia) Zhang	The University of Auckland	B.5
Jin Zhang	University of Otago	B.1
Jincheng (Emma) Zhang	UNSW	DS and D.4
Fang Zhen	University of Otago	D.1 and E.5
Chen Zheng	Curtin University	DS
Pengcheng (Phil) Zhu	University of San Diego	C.3
Remco Zwinkels	Vrije Universiteit Amsterdam	DS, C.1 and D.5

Travel safely

Season's Greetings

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