FIN 702: Seminar in International Investments – Fall 2016

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Class Meeting: Tuesday, 3:00 p.m. – 5:45 p.m. Classroom: BUSAD E201
Office Hours: Tuesday 9:30 a.m. – 11:00 a.m. or by appointment

Course Objectives

Investment is one of the most important functional areas in finance. The academic research in this area has been rich and vigorous. The main objectives of the seminar course are to (i) introduce students to the foundations of modern investments and its key paradigms, (ii) assist students to develop a critical perspective on the literature, and (iii) provide students with an opportunity to identify viable research ideas.

Among other, the tentative topics will include empirical asset pricing tests, characteristics of asset returns (challenge or support to market efficiency), behavioral finance, mutual funds, international finance, derivative securities, financial institutions, investment issues related to corporate finance/financial accounting, and issues in the overlapping areas of economics and finance.

Course Content and Expectations

The course material for this class is drawn exclusively from original, published and unpublished research papers. Students should fully participate in the class discussions. While one or more students will make presentations in class, other students should read the papers to be discussed before class. Each presentation should focus on important issues in the paper. For many papers, the academic contributions, results, and implications are the most important aspects. In particular, how did the authors position their paper in the literature? What are the motivation and contribution of the paper? An equally important issue is the empirical execution, i.e., the route (methodology) the authors take to their conclusion. Last but not the least, we should learn how the authors handled exposition. If a paper is theoretical, the model and its intuition should be presented. To help the audience understand the motivation of a paper, presenters should briefly discuss the relevant background papers.

Reference Books:

There is no required textbook for this course. The following books/chapters may serve as useful reference books for theory and empirical methods for research in investments.

5. Self-Selection Models in Corporate Finance, Kai Li and N.R. Prabhala

Term Project

In addition to reading, presenting and participating in the discussion of selected papers, each student should complete an original research project or at the minimum, a detailed research proposal that include the motivation, summary of related work, proposed methodology, description of data (if the research is empirical), outline of model (if the research is theoretical) and expected contribution to the literature.

Final Exam

There will be one take-home final exam. Among others, the final exam will include specific questions about the papers discussed in the class. For PhD students with finance concentration, the final exam will help you prepare for the comprehensive exam.

Evaluation

Your final grade will be based on the following:

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Class Participation, Paper Presentations and written report Summaries</td>
<td>40%</td>
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<tr>
<td>Term Project</td>
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<td>Final Exam</td>
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Tentative Course Outline and Reading List (Papers for presentation are generally chosen from the list; changes may be made during the semester)

1. Asset Pricing

1) Empirical asset pricing - Recent Fama French Studies


2) Some Further Work in Cross-Section of Asset Pricing Tests


ANDREA L. EISFELDT, DIMITRIS PAPANIKOLAOU , Organization Capital and the Cross-Section of Expected Returns, Journal of finance, 2013, August, 68, 4, pages 1365-1406


“Informed Trading and Expected Returns;,” James Choi, Yale School of Management
Li Jin, Oxford University, Hongjun Yan, Yale School of Management, AFA 2014

Scott Richardson, London Business School, Pedro Saffi, University of Cambridge
Kari Sigurdsson, Reykjavik University, Deleveraging Risk, AFA 2014

Jean-Sebastien Fontaine, Bank of Canada, Rene Garcia, EDHEC Business School, Sermin Gungor, Bank of Canada, Funding Liquidity Risk and the Cross-Section of Stock Returns, AFA 2014
Kewei Hou, Ohio State University (OSU), Marta Szymanowska, Erasmus University Rotterdam (EUR), Commodity-based Consumption Tracking Portfolio and the Cross-section of Average Stock Returns, AFA 2014

Joseph Gerakos, Juhani Linnainmaa, University of Chicago Booth School of Business, Confounded Factors, AFA 2014

Andrew Ang, Assaf Shtauber, Paul Tetlock, Columbia Business School, Asset Pricing in the Dark: the Cross Section of OTC Stocks, AFA 2014

NILS FRIEWALD, CHRISTIAN WAGNER, and JOSEF ZECHNER, The Cross-Section of Credit Risk Premia and Equity Returns, THE JOURNAL OF FINANCE • VOL. LXIX, NO. 6 • DECEMBER 2014

TOBIAS ADRIAN, ERKKO ETULA, and TYLER MUIR, Financial Intermediaries and the Cross-Section of Asset Returns, TOBIAS ADRIAN, ERKKO ETULA, and TYLER MUIR, THE JOURNAL OF FINANCE, VOL. LXIX, NO. 6, DECEMBER 2014

Kevin Tseng, Northwestern University, Knowledge Network and the Cross-Section of Expected Returns, WFA 2015

Darien Huang, Cornell University, Gold, Platinum, and Expected Stock Returns, WFA 2015

Leverage Constraints and Asset Prices: Insights from Mutual Fund Risk Taking, Oliver Boguth and Mikhail Simutin, AFA 2016

3) Asset Pricing – Beyond Stocks


Joshua Coval, Jakub Jurek, and Erik Stafford, Harvard University, Economic Catastrophe Bonds, WFA 2008 working paper.

Geert Bekaert , Columbia University, Columbia Business School - Economics Department, Lieven Baele, Tilburg University, Koen Inghelbrecht , Ghent University, The Determinants of Stock and Bond Return Comovements, AFA 2009 working paper


2. Characteristics of Asset Prices (Support or Challenges to Market Efficiency)
I) Speculation, Overreaction, Mean Reversion, Momentum / Contrarian Strategies


Da, Zhi; Gurun, Umit G.; Warachka, Mitch, Frog in the Pan: Continuous Information and Momentum, Review of Financial Studies, Jul 2014, Vol. 27 Issue 7, p2171-2218

Hillert, Alexander; Jacobs, Heiko; Müller, Sebastian, Media Makes Momentum, Review of Financial Studies, Dec 2014, Vol. 27 Issue 12, p3467-3501


Chin-Han Chiang, Wei Dai, Jianqing Fan, Harrison Hong, Jun Tu, When Everyone Misses on the Same Side: Debiased Earnings Surprises and Stock Returns, Working paper, WFA 2015
2) Volatility, Volume, and Liquidity

Dan Dhaliwal and Oliver Zhen Li, 2006, Investor tax heterogeneity and ex-dividend day trading volume, Journal of Finance, 61, 1, 463-490.


Travis Johnson, University of Texas-Austin Eric So, Massachusetts Institute of Technology, Earnings Announcement Premia: The Role of Asymmetric Liquidity Provision, WFA 2015.

3) Idiosyncratic Risk


ROBERT F. STAMBAUGH, JIANFENG YU, and YU YUAN, Arbitrage Asymmetry and the Idiosyncratic Volatility Puzzle, THE JOURNAL OF FINANCE, forthcoming

4) **Event Based Stock Price Reactions**

i) **Stock Price Reactions to Large Block Trades**


ii) **Stock Price Reactions to Announcements of Secondary Equity Offerings**


iii) **Stock Price Reactions to Announcements of Corporate Investment Decisions**


iv) **Stock Price Reactions to Macro Economic News and other Information**


vi) Stock Price Reactions to Announcements of Index Additions and Deletions


5) Predictability of Stock Return


6) Correlation, Autocorrelation / Cross autocorrelation of Stock Returns


7) Trading Frictions and Asset Prices


Melissa Prado, Nova School of Business and Economics, Pedro Saffi, University of Cambridge, Jason Sturgess, DePaul University, *Ownership Structure, Limits to Arbitrage and Stock Returns: Evidence from Equity Lending Markets*, AFA 2014


### 8) Selected Issues in Asset Pricing Anomalies


3. Bubbles, Financial Distress, and Downside Risk


4. Behavioral Finance


Andrei, Daniel; Hasler, Michael, Investor Attention and Stock Market Volatility, Review of Financial Studies, Jan2015, Vol. 28 Issue 1, p33-72


5. Mutual Funds and Asset Management

1) Mutual Fund Performance


Xi Dong, INSEAD, Massimo Massa, INSEAD, *Excess Autocorrelation and Mutual Fund Performance*, AFA 2014


2) Fund Styles, Characteristics, Fund Flows, and Fund Performance

M. Cooper, H. Gulen, and RAGHAVENDRA RAU, “Changing names with style: Mutual fund name changes and their effects on fund flows”, *Journal of Finance*, 60 (6), 2825-2858, 2005.


Mark Kamstra, York University, Lisa Kramer, University of Toronto, Maurice Levi, University of British Columbia (UBC), Russ Wermers, University of Maryland Seasonal Asset Allocation: Evidence from Mutual Fund Flows, AFA 2014

Nichola Gennaioli, University of Pompeu Fabra, Andrei Shleifer, Harvard University, and Robert Vishny, University of Chicago, Money Doctors, AFA 2014

Darwin Choi, Hong Kong University of Science & Technology, Bige Kahraman, Stockholm School of Economics, Abhiroop Mukherjee, Hong Kong University of Science & Technology Performance-Chasing Behavior and Mutual Funds: New Evidence from Multi-Fund Managers, AFA 2014

Oleg Chuprinin, University of New South Wales, Sergio Gaspar, INSEAD, Massimo Massa, INSEAD, Mutual Funds and Trading on Information Tangibility, AFA 2014

Zhi Da, University of Notre Dame, Sophie Shive, University of Notre Dame, When the bellwether dances to noise: Evidence from exchange-traded funds, AFA 2014

Ranadeb Chaudhuri, Oakland University, Zoran Ivkovich, Michigan State University, Joshua Pollet, University of Illinois at Urbana-Champaign, Charles Trzcinka, Indiana University, What a Difference a Ph.D. Makes: More than Three Little Letters, AFA 2014


MARCELINE KACPERCZYK, STIJN VAN NIEUWERBURG, and LAURA VELDKAMP, Time-Varying Fund Manager Skill, THE JOURNAL OF FINANCE, VOL. LXIX, NO. 4, AUGUST 2014


Lubos Pastor, University of Chicago Robert Stambaugh, University of Pennsylvania Lucian Taylor, University of Pennsylvania, Do Funds Make More When They Trade More? WFA 2015

6. Selected Issues in International Finance

1) Market Liberalization, Home bias, Segmentation vs. Integration, Foreign Exchange Rate Risk and Global Pricing


Griffin, John, 2002, Are the Fama and French factors Global or country specific? Review of Financial Studies, 15, 783-803


Pasquale Della Corte, Imperial College Business School, Tarun Ramadorai, University of Oxford Lucio Sarno, City University London, *Volatility Risk Premia and Exchange Rate Predictability*, AFA 2014


2) International Diversification and Portfolio Holdings


3) Cross-border listing, Cross-border M&A


John Ammer, Sara B. Holland, David Smith, and Francis E. Warnock, *Look at me now: The role of cross-listing in attracting U.S. investors*, 2006, AFA working paper


4) Cross-border (Portfolio) Investment and Country Funds


5) Studies Using Country-Specific or Cross-Country Data


I. SERDAR DINC, ISIL EREL, Economic Nationalism in Mergers and Acquisitions, *Journal of finance*, December 2013, 68, 6, pages 2471-2514


Shashwat Alok, Indian School of Business, Meghana Ayyagari, George Washington University - School of Business, *Politics, State Ownership, and Corporate Investments*, AFA 2014


6) Issues related to International Corporate Governance


Andrew Ellul, Indiana University, Marco Pagano, Università di Napoli Federico II, Fabiano Schivardi, LUISS University of Rome, *Risk-Sharing within Firms: Worldwide Evidence*, AFA 2014


7) International Market Microstructure


### 7. Issues Related to Banking and Financial Intermediation


Plantin, Guillaume, Shadow Banking and Bank Capital Regulation, Review of Financial Studies, Jan2015, Vol. 28 Issue 1, p146-175


Allen Berger, University of South Carolina, Sadok El Ghoul, University of Alberta, Omrane Guedhami, University of South Carolina, Raluca Roman, University of South Carolina, Bank Internationalization and Risk Taking, AFA 2014

Victoria Ivashina, David Scharfstein, Jeremy Stein, Harvard University, Dollar Funding and the Lending Behavior of Global Banks, AFA 2014

Liangliang Jiang, Lingnan University-Hong Kong Ross Levine, University of California-Berkeley Chen Lin, University of Hong Kong, Competition and Bank Opacity. WFA 2015

8. Investment Issues Related to Corporate Culture, Financial Analysts, Earnings Management, etc.


9. Derivatives Securities

1) Options


BYEONG-JE AN, ANDREW ANG, TURAN G. BALI, and NUSRET CAKICI, The Joint Cross Section of Stocks and Options THE JOURNAL OF FINANCE, VOL. LXIX, NO. 5, OCTOBER 2014


2) Futures


Information, Trading and Volatility: Evidence from Weather-Sensitive Markets, WFA 2004, Jeff Fleming, Rice University, Chris Kirby, University of Texas, Dallas, Barbara Ostdiek, Rice University

Wenjin Kang, Renmin University of China K. Geert Rouwenhorst, Yale University Ke Tang, Renmin University of China, The Role of Hedgers and Speculators in Liquidity Provision to Commodity Futures Markets, WFA 2015

3) Risk Management


10. Market Microstructure

1) Bid-Ask Spreads, Market Makings, Order Routing Competitions, and Order Flows


Schnitzlein, Charles, 2002, Price formation and market quality when the number and presence of insiders is unknown, Review of Financial Studies, 15, 1077-1109


A Comprehensive Test of Order Choice Theory: Recent Evidence from the NYSE, WFA, 2004, Andrew Ellul, Indiana University, Craig W. Holden, Indiana University, Pankaj Jain, University of Memphis, Robert Jennings, Indiana University

Specialist Profits and the Minimum Price Increment, WFA 2004, Jay F. Coughenour, University of Delaware, Lawrence E. Harris, University of Southern California and SEC


2) Market Transparency and OpenBook


3) Tick Size


4) Microstructure & Asset Pricing – The intersection


11. Issues on Financial Crisis, Credit Rating, Household Finance, Real Estate Finance, and etc


12. Overlapping Areas of Economics and Finance

1) Public Finance and Financial Markets


2) Labor Market and Asset Prices


Simintzi, Elena; Vig, Vikrant; Volpin, Paolo, Labor Protection and Leverage, Review of Financial Studies, Feb2015, Vol. 28 Issue 2, p561-591

XAVIER GIROUD, HOLGER M. MUELLER, Capital and Labor Reallocation within Firms, The JOURNAL OF FINANCE, Volume 70, Issue 4, August 2015, Pages 1767–1804

Wages and Firm Performance: Evidence from the 2008 Financial Crisis, Paige Ouimet and Elena Simintzi, AFA 2016

3) Macroeconomic Determinants of Asset Prices


John Campbell, Harvard University Carolin Pflueger, University of British Columbia Luis Viceira, Harvard University, Monetary Policy Drivers of Bond and Equity Risks, WFA 2015


RAVI BANSAL, DANA KIKU, IVAN SHALIASTOVICH, and AMIR YARON, Volatility, the Macroeconomy, and Asset Prices, THE JOURNAL OF FINANCE, VOL. LXIX, NO. 6, DECEMBER 2014

4) Government Intervention and Financial Markets

PHILIP BOND and ITAY GOLDSTEIN, Government Intervention and Information Aggregation by Prices, THE JOURNAL OF FINANCE, forthcoming
5) Housing Risk

6) Education and Financial Markets

Britta Augsburg, Institute for Fiscal Studies (IFS), Ralph De Haas, European Bank for Reconstruction and Development (EBRD), Heike Harmgart, European Bank for Reconstruction and Development (EBRD), Costas Meghir, Yale University, Microfinance, Poverty, and Education, AFA 2014

7) Social Media and Stock Price

8) Econometric Issues