

Nimesh Patel

Shidler College of Business
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ACADEMIC POSITIONS

Assistant Professor of Finance, Shidler College of Business, University of Hawai'i at Mānoa. Aug 2017 - present

EDUCATION

Ph.D. in Finance, UCLA Anderson School of Management.	2017
MCA in Finance, Victoria University of Wellington.	2011
BCA (Honours) in Econometrics, Economics, and Finance, Victoria University of Wellington.	2009

RESEARCH INTERESTS

Asset pricing, political economy, social networks, financial markets, household finance.

RESEARCH

Published Papers

- “[Extended Stock Returns in Response to S&P 500 Index Changes](#)” (with Ivo Welch), *The Review of Asset Pricing Studies*, 2017, 7(2): 172-208.

Our paper investigates extended abnormal returns for S&P 500 index changes in a comprehensive 1979-2015 sample. The literature’s depiction of longer window returns lacked both appropriate nuance and cross-sectional analysis. Solid evidence for reversion appears in the 2000s. It suggests that stocks no longer experience permanent shifts in investor demand when they are added to or removed from the S&P 500.

- “[Fixed Come Hell or High Water? Selection and Prepayment of Fixed-Rate Mortgages Outside the United States](#)” (with Toby Daglish), *Real Estate Economics*, 2012, 40(4): 709-743.

We examine the decision to prepay a fixed-rate mortgage in the United Kingdom, Canada, Ireland, Australia and New Zealand. These countries are characterized by having substantial fees which are associated with breaking a fixed-rate mortgage. We develop a model which allows for fluctuations both in banks’ wholesale rates and credit spreads. We find that households can achieve economically significant benefits both from following an optimal prepayment strategy contingent on the break fee used by their bank and also by selection of fixed interest rate term and (where available) break fee structure.

Working Papers

- “Alpha by Affiliation.” (with Tray Spilker and Jonathan Reuter)

Using novel data establishing hedge fund families, we show that changes in overlapping hedge fund family positions predict abnormal returns in U.S. stocks. A long-short portfolio of unanimous family entries and exits in overlapping positions earns an annualized alpha of 7.32%. Panel regressions and double-sorts provide evidence for a mispricing-based explanation as results are consistent with fund families facing binding short sale constraints to coordinated exits. The returns are larger for high information asymmetry stocks and suggest that hedge fund families coordinate on information, despite having no shared legal structure like mutual fund families.

- “Trade Competition and Product Quality: Evidence from Amazon Reviews.” (with Chady Gemayel)

Using an instrumental variable approach, we find that domestic firms invest in their reputational capital in response to increases in international competition. Specifically, American firms increase the quality of their

products after positive Chinese import competition shocks. We identify that this is an active decision by identifying product-level changes, finding significant reductions in the rate of product failures for domestic firms. Firms build reputational capital by increasing product quality, allowing them to differentiate their products from those of their competitors. We find that less diversified firms have a greater incentive to differentiate their products, as product portfolio size attenuates our results.

- “The Content of Climate Change Disclosures and Market Values.” (with Christian Blanco)

Over 500 global institutional investors with a combined \$96 trillion in assets are concerned with the potential business impacts of climate change. Are market valuations associated with climate change disclosure topics? We explore this question using over 6,300 climate change disclosures for 1,482 global firms from 2010–2016. We identify four climate change topics using the Latent Dirichlet Allocation, a Bayesian text analysis approach that identifies latent themes. We find that responses that center on carbon taxes and extreme weather events are, on average, associated with 14.9-18.8% lower market values compared to disclosures that focus on risk management and energy efficiency. This suggests that firms that focus their disclosures on tools to manage and mitigate climate change-related risks are valued higher. In contrast, firms with disclosures that center on the physical and regulatory risks of climate change are valued lower. This significant association suggests that the CDP (formerly the Carbon Disclosure Project) can be one of many effective platforms for aggregating corporate climate change information that is financially meaningful.

- “Director Networks, Mobility and Governance: Evidence from Corporate Bankruptcies.” (with Shenje Hsieh and Jiasun Li)

We exploit a quasi-natural experiment to investigate how directors’ reliance on professional connections in their search for new directorships impacts board composition and corporate governance policies. For directors who have not held board positions or employment at bankruptcy-filing firms, we find that those who nevertheless have current or past connections to other directors with explicit work histories at bankruptcy-filing firms experience a decline in mobility around the time of filing: directors with these connections have a 5 percent lower chance of finding new board positions within a year. Additionally, we find these suspended director network ties make board recruitment of new directors more difficult. As a result, average board size decreases and average director tenure increases. Lastly, we provide evidence that director mobility can interfere with corporate governance, as firms with less mobile directors show improvements in shareholder rights.

- “Political Clampdowns and Corporate Influence: Evidence from Deepwater Horizon.”

I investigate how political spending by corporations responds to regulatory concerns and if it is associated with improved firm value. Using the 2010 Deepwater Horizon disaster as an exogenous shock to the difficulty of obtaining offshore oil drilling permits, I show that offshore oil firms spent more money hiring lobbyists in order to influence the permitting process. In contrast, the evidence of a response through campaign contributions is weak. The lobbying spending was associated with both a higher probability of permit approval and faster time to approval. Permit approvals had a five-day cumulative abnormal return of 0.69% after the disaster. In particular, offshore firms hired more lobbyists with prior-employment connections to Congressmen or Federal agencies with oil industry oversight. My results show that corporate governance issues may be second-order in this setting and that lobbying may have a real impact on regulator decisions and a positive effect on firm value.

TEACHING

University of Hawai‘i at Mānoa

- BUS250 Applied Mathematics in Business, Spring 2018-2021, Spring 2023
- BUS313 The Economic and Financial Environment of Global Business, Spring 2020-2021
- FIN321 International Business Finance, Spring 2020-2021

UCLA

- Foundations of Finance (MBA), TA to Prof. Tyler Muir, Spring 2017
- Foundations of Finance (MBA), TA to Prof. David Wessels, Winter 2017
- Investments (MFE), TA to Prof. Eduardo Schwartz, Fall 2016
- Quantitative Asset Management (MFE), TA to Prof. Jason Hsu, Spring 2016
- Foundations of Finance (MBA), TA to Prof. Amit Goyal, Winter 2016
- Foundations of Finance (MBA), TA to Prof. Mark Grinblatt, Fall 2015
- Options Markets (MFE), TA to Prof. Daniel Andrei, Winter 2014
- Options Markets (MBA), TA to Prof. Daniel Andrei, Fall 2012-2014
- Mergers and Acquisitions (FEMBA), TA to Prof. Richard Roll, Spring 2013

FELLOWSHIPS, AWARDS, AND HONORS

- Professor of the Semester, Undergraduate Business Core Course, Spring 2020.
- Price Center for Entrepreneurship & Innovation Research Grant, 2016
- UCLA Anderson Fellowship, 2011-2015
- Fink Center for Finance & Investments Scholarship, Summer 2013-2015
- Victoria University of Wellington Medal for Academic Excellence, 2011
- Victoria University of Wellington Master's Scholarship, 2009
- Hunter Scholar for Master's Studies, 2008
- Victoria University of Wellington Graduate Award, 2008

REFEREEING

- Critical Finance Review
- Journal of Multinational Financial Management
- Management Science
- Quarterly Review of Economics and Finance

OTHER WORK EXPERIENCE

- Senior Statistical Analyst, Reserve Bank of New Zealand, Mar-Dec 2022.

ADDITIONAL INFORMATION

- Spoken languages: English (native), Gujarati (fluent)