Journal of Financial Economics

2021 (04)

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2021.11.24

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1.Inspecting the mechanism of quantitative easing in the euro area

Ralph S.J. Koijen François Koulischer

Benoît Nguyen Motohiro Yogo

ABSTRACT

- Using security-level holdings for all euro-area investors, we study portfolio rebalancing during the quantitative easing program from March 2015 to December 2017.
- Foreign investors outside the euro area accommodated most of the Eurosystem's purchases.
- Duration, government credit, and corporate credit risk did not get concentrated in particular regions or investor sectors.
- We estimate a demand system for government bonds by instrumental variables to relate portfolio rebalancing to yield changes.
- Government bond yields decreased by 65 basis points on average, and this estimate varies from 38 to 83 basis points across countries.

问题提出

Because of growing concerns about a prolonged period of low inflation, the European Central Bank (ECB) announced the expanded asset purchase program on January 22, 2015.

The ECB subsequently expanded the size and the duration of asset purchases.

Central banks in the United States, the United Kingdom, and Japan have implemented similar quantitative easing programs when their policy rate reached a level close to zero.

研究问题

The goal of this paper is to understand how quantitative easing works by studying portfolio rebalancing, the dynamics of risk exposure, and asset prices in the euro-area from 2013Q4 to 2017Q4.

研究方法

OLS, Instrumental variables

数据来源

The data are reported by custodian banks at a quarterly frequency, and our sample covers 2013Q4 to 2017Q4.

结论

- We find that foreign investors outside the euro area accommodated most of the Eurosystem’s purchases through 2017Q4.
- We examine how the investors’ exposure to duration, government credit, corporate credit, and equity risk changes during quantitative easing. We do not find evidence for large-scale rebalancing across asset classes or risk concentration in particular regions or investor sectors.
- We find that foreign investors have the most elastic demand, which is consistent with the fact that they accommodated most of the Eurosystem’s purchases. Foreign investors’ relatively elastic demand also implies that their presence dampens the impact of quantitative easing on government bond yields.
- We estimate how quantitative easing affects portfolio valuation by region and investor sector. The total valuation effect is €415 billion, which is the sum of € 179 billion for investors in nonvulnerable countries, € 74 billion for investors in vulnerable countries, and € 162 billion for foreign investors.

2.Voluntary disclosure with evolving news

Cyrus Aghamolla Byeong-Je An

ABSTRACT

- We study a dynamic voluntary disclosure setting where the manager's information and the firm's value evolve over time. The manager is not limited in her disclosure opportunities, but disclosure is costly.
- The results show that the manager discloses even if this leads to a price decrease in the current period. The manager absorbs this price drop in order to increase her option value of withholding disclosure in the future. That is, by disclosing today, the manager can improve her continuation value.
- The results provide a number of novel empirical predictions regarding asset prices and disclosure patterns over time. These include, among others, that disclosures are negatively correlated in time, and stock return skewness is negatively correlated with lagged returns for firms with low uncertainty over their future profitability, in more competitive industries, and in industries with less informative public news.

问题提出

A firm's informational environment is generally characterized by continuous inflows of new information.

Casual observation and findings in the empirical literature further motivate us to study voluntary disclosure in the presence of evolving news.

研究问题

The goal of this paper is to investigate the theoretical underpinnings of firm disclosure behavior in the presence of evolving information, and to find an endogenous explanation for this anomalous yet enduring empirical regularity.

研究方法

a discrete, two-period model.

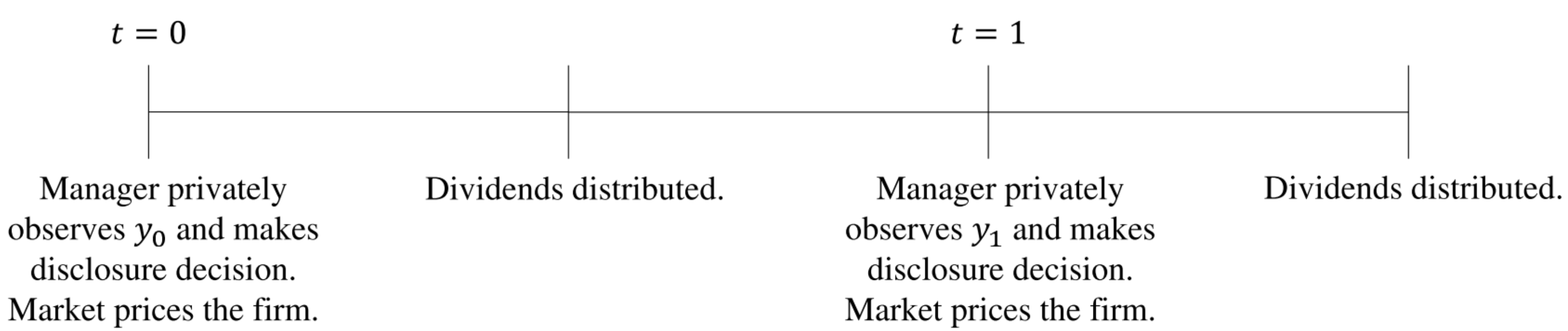

Fig. 1. Timeline.

结论

- The manager may voluntarily disclose information even if this results in a lower price than if she had concealed the information. The manager endures this price drop to generate a real option which allows her to conceal information more often in the future.
- We find that this result holds even in the face of a public signal which may overstate the firm’s value, thus providing the manager with an option value from delaying disclosure.
- The results provide asset pricing implications regarding conditional and unconditional stock return skewness, return variance, and price autocorrelation, as well as predictions regarding the pattern of disclosures over time and price informativeness.
- The predictions also consider future disclosure behavior based on past returns, which helps to link the firm’s past performance to future expected disclosure behavior.

3.What to expect when everyone is expecting:

Self-fulfilling expectations and asset-pricing puzzles

Nicolae Gârleanu Stavros Panageas

ABSTRACT

- We study an economy without bubbles in which expectations about future discount rates can become self-fulfilling because asset valuations redistribute wealth across different investor cohorts.
- For such redistribution to take place, the wealth of arriving and existing cohorts must react differently to discount rates, and in addition only the existing agents are marginal in financial markets.
- The self-fulfilling nature of discount rate expectations means that the economy can address several well-documented empirical asset-pricing facts (excessive volatility, return predictability, low interest rate level and volatility), while all real quantities (aggregate consumption and dividend growth) are smooth.

问题提出

The possibility of self-fulfilling expectations (also referred to as “indeterminacy”) in overlapping generations (OLG) endowment economies, such as the one we study, has long been recognized. The indeterminacy in these models, however, stems from the existence of a (rational) bubble.

研究问题

We contribute to this literature by showing that indeterminacy can arise in the absence of bubbles and regardless of the conditions the existence of bubbles requires.

研究方法

Our model features no fundamental shocks. In this section we derive a **deterministic equilibrium**, which helps us highlight the presence of multiple equilibria. We also use this simple model to introduce **stochastic equilibria** capturing shifts in the manner in which investors coordinate expectations.

结论

- Shifts in expectations of future discount rates can change the wealth composition, and consequently redistribute wealth, in such a way that the resulting consumption-saving decisions confirm the anticipated discount rates.
- Contrary to the conventional wisdom, which considers the indeterminacy of equilibrium to be the direct consequence of the indeterminate magnitude of the bubble, we argue that the presence of a bubble is just an ancillary feature to trigger the interactions between the wealth distribution and the discount rates that we highlight in the context of our model.
- Besides expanding the scope of the analysis to situations in which bubbles cannot exist, our model presents the advantage that the useful Campbell-Shiller-type decompositions of asset price fluctuations continue to apply.
- While the paper maintains throughout the assumption that all uncertainty is extrinsic, we view this assumption primarily as a useful way to sharpen and clarify our results.

4.Benchmark interest rates when the government is risky

P. Augustin M. Chernov
L. Schmidc D. Song

ABSTRACT

- Since the global financial crisis, interest rate swap rates, which represent future uncollateralized interbank borrowing, have fallen below maturity-matched Treasury rates.
- This is surprising, because US Treasuries, which are deemed expensive because of superior liquidity and safety, should produce yields that are lower than those of swap rates.
- We show, by no-arbitrage, that sovereign default risk explains negative swap spreads even without frictions such as balance sheet constraints, convenience yield, and hedging demand.
- We support this explanation with an equilibrium model that jointly accounts for macroeconomic fundamentals and the term structures of interest and US credit default swap rates.

问题提出

2008年前（理论）	**掉期利率**	**高于**	**美国国债利率**
2008年后	OIS	低于	LIBOR
（negative swap spread puzzle）	IRS	低于	EFFR

Table 1

Literature on negative IRS-Treasury and OIS-Treasury spreads.

This table summarizes the main studies explaining negative OIS-Treasury or IRS-Treasury swap spreads. We describe the focus of the paper (IRS-Treasury or OIS-Treasury), the type of study (empirical or theoretical), and the main explanation proposed by each study.

	Focus		Type		Explanations				
Study	IRS-Treasury	OIS-Treasury	Empirics	Theory	Funding costs	Hedging demand	Leverage ratios	Convenience yield	Sovereign risk
Lou (2009)	✓		✓		✓				
Klingler and Sundaresan (2019)	✓		✓	✓		✓			
Boyarchenko et al. (2018)	✓		✓				✓		
Klingler and Sundaresan (2020)		✓	✓					✓	
Jermann (2019)	✓			✓			✓		
The present study	✓	✓	✓	✓					✓

研究问题

以主权信贷风险解释负掉期价差之谜。

研究方法

实证初步检验，通过无套利均衡模型，估算受主权信贷风险影响的掉期价差，基于chernov et al. (2020)模型进行调整确定主权信贷风险，其中纳入宏观经济基本面、利率期限结构等因素。

数据来源（May 8, 2002, September 26, 2018）

LIBOR, IRS, and OIS rates from Bloomberg

US CDS premiums from Markit

结论

- 考虑高质量的主权信用风险对于理解危机后的定价现象很重要。
- 美国国债违约的低概率将无套利掉期息差降低至负水平。
- 考虑美国国债的信用风险溢价对于共同解释多个基准利率的期限结构的动态变化至关重要。即使美国信用事件发生的概率很小，与之相关的风险溢价也可能很大。

5.Estimating the anomaly base rate

Alex Chincoa   Andreas Neuhierl   Michael Weber

ABSTRACT

- The anomaly zoo has caused many to question whether researchers are using the right tests of statistical significance. But even if researchers are using the right tests, they will still draw the wrong conclusions from their econometric analyses if they start out with the wrong priors (i.e., if they start out with incorrect beliefs about the ex ante probability of encountering a tradable anomaly, the “anomaly base rate”).
- We propose a way to estimate it by combining two key insights: Empirical Bayes methods capture the implicit process by which researchers form priors about the likelihood that a new variable is a tradable anomaly based on their past experience, and under certain conditions, a one-to-one mapping exists between these prior beliefs and the best-fit tuning parameter in a penalized regression.
- The anomaly base rate varies substantially over time, and we study trading strategy performance to verify our estimation results.

问题提出

$$R_n = \hat{\mu} + \hat{\beta} \cdot X_n + \hat{\varepsilon}_n \qquad \text{for stocks } n = 1, \ldots, (N+1).$$

X_n still might not represent a tradable anomaly even if the seminar speaker estimates a large, positive, and statistically significant slope coefficient. His results might just be a fluke, a chance event not warranting any change in our economic understanding.

$$\Pr[\, anom \,|\, signif \,] = \left(\frac{\Pr[\, signif \,|\, anom \,]}{\Pr[\, signif \,]} \right) \times \Pr[\, anom \,].$$

研究问题

$$\min_{\beta} \left\{ \frac{1}{N} \cdot \sum_n (R_n - \hat{\mu} - \beta \cdot X_n)^2 + \lambda \cdot \beta^2 \right\}.$$

This paper offers a practical means of estimating the anomaly base rate and its evolution over time.

研究方法

Ridge regressions

数据来源

May 1973 to June 2015 for each US stock traded on either the NYSE, Amex, or Nasdaq(CRSP)

结论

- 金融经济学家在修改他们之前对每个新变量的信念时没有考虑数据挖掘的影响。解决这个问题的一种方法是要求更高评估统计显著性时的临界值。

- 我们提供了一种简单的统计方法来实施这种洞察力。然后，我们使用交易策略表现来证明由我们的简单统计方法产生的异常基准率估计值在经济上是有意义的。我们使用数值模拟来证明我们的统计方法可以以各种方式扩展。我们希望，通过清楚地概述这一重要的经济问题，并提供一个解决它的一般统计框架，我们可以鼓励未来的研究如何更好地估计异常基准率，并对横截面回报预测因子做出更敏锐的推断。

6. Implied volatility duration: A measure for the timing of uncertainty resolution

Christian Schlag　Julian Thimme　Rüdiger Weber

ABSTRACT

- We introduce implied volatility duration (IVD) as a new measure for the timing of uncertainty resolution, with a high IVD corresponding to late resolution.
- Portfolio sorts on a large cross-section of stocks indicate that investors demand, on average, more than 5% return per year as a compensation for a late resolution of uncertainty.
- In a general equilibrium model, we show that “late” stocks can only have higher expected returns than “early”stocks if the investor exhibits a preference for early resolution of uncertainty.
- Our empirical analysis thus provides a purely market-based assessment of the timing preferences of the marginal investor.

问题提出

- An average return differential between late and early resolution stocks of more than 5% per year suggests that investors have a preference for early resolution of uncertainty (PERU).
- Whether the marginal investor indeed exhibits PERU is of major importance in many asset pricing models.

研究内容

We investigate when uncertainty is resolved rather than how much of what type of uncertainty the investor is exposed to.

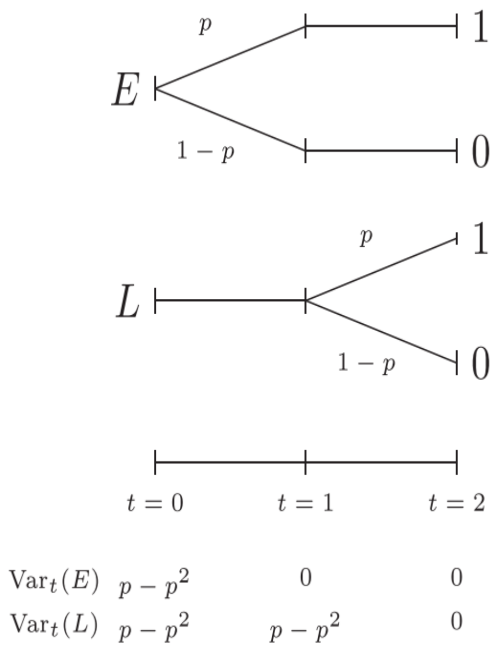

Fig. 1. Late and early resolution claim.

研究方法

- We introduce implied volatility duration (IVD) as a new measure for the timing of uncertainty resolution, with a high IVD corresponding to late resolution.
- We do offer a possible explanation by considering a rational Epstein and Zin investor in a frictionless general equilibrium model.

数据来源

- We use monthly return and market capitalization data for actively traded common shares from the Center for Research in Security Prices (CRSP) database.
- Data on the monthly risk-free rate are taken from Kenneth French's website.
- Accounting-related data are taken from the CRSP-Compustat merged database.

The IVD of stock i at time t, denoted by IVD_{it}, is defined as follows:

$$\text{IVD}_{it} = \sum_{j=1}^{J} \frac{\Delta IV_{i,t,j}^2}{\sum_{j=1}^{J} \Delta IV_{i,t,j}^2} \cdot \tau_j, \quad (1)$$

where $\Delta IV_{t,i,j}^2 \equiv IV_{i,t,t+\tau_j}^2 - IV_{i,t,t+\tau_{j-1}}^2$ is the difference at time t between the (nonannualized) squared IVs for call options maturing at $t+\tau_j$ and those maturing at day $t+\tau_{j-1}$.[12] We set $\tau_0 = 0$ so that

结论

- Using IVs of different maturities, we categorize single stocks as exhibiting late or early resolution of uncertainty. We find that late resolution stocks compensate investors with a premium of more than 5% per year.
- Portfolio double sorts with respect to the 365-day IV and IVD result in an average return of the long-short position of more than 7% for a holding period of one year in the highest IV quintile.
- We propose a general equilibrium model to rationalize our findings.
- We thus provide empirical evidence consistent with a substantial PERU. As opposed to earlier work, we draw conclusions based on prices of financial assets rather than on the behavior of individuals in lab experiments or parameter estimates based on macro or survey data.

7. Macroprudential FX regulations: Shifting the snowbanks of FX vulnerability?

Toni Ahnert
Kristin Forbes
Christian Friedrich
Dennis Reinhardt

ABSTRACT

- We use a new data set on macroprudential foreign exchange (FX) regulations to evaluate their effectiveness and unintended consequences.
- Our results support the predictions of a model in which banks and markets lend in different currencies, but only banks can screen firm productivity. Regulations significantly reduce bank FX borrowing, and firms respond by increasing FX debt issuance.
- Moreover, regulations reduce bank sensitivity to exchange rates but are less effective at reducing the sensitivity of the broader economy. Therefore, FX regulations mitigate bank vulnerability to currency fluctuations and the global financial cycle, but appear to partially shift the snowbanks of vulnerability elsewhere.

问题提出

- The 2008–2009 global financial crisis renewed interest in ways to reduce macroeconomic and financial vulnerabilities, strengthen financial systems, and improve country resilience.
- Over our sample period from the mid-1990s through the end of 2014, total FX borrowing in international debt securities and bank loans more than tripled to about $12 trillion. In just the six years after the global financial crisis (from 2009 to 2015), FX cross-border borrowing in international debt securities and loans increased by around $2.5 trillion, a sharp contrast to almost no change in comparable cross-border borrowing in local currency.

研究内容

It provides a detailed assessment of macroprudential regulations on the use of foreign currencies by banks. It develops a theoretical model that allows firms to choose their amount, currency, and source of funding, as well as an empirical assessment of the direct and unintended consequences of FX regulations using a rich new data set.

研究方法

We develop a model of bank versus market lending, building on the seminal work of Holmstrom and Tirole (1997) and adding the dimension that lending and borrowing are differentiated between domestic and foreign currencies.

数据来源

- The data set is based on four sources that each show and measure macroprudential FX regulations in different contexts or for different countries: Shim et al. (2013), Vandenbussche et al. (2015), Cerutti et al. (2017), and an updated version of Reinhardt and Sowerbutts (2015).
- Our resulting data set contains information on macroprudential regulations in 48 countries over the period 1995–2014.

结论

- After an increase in macroprudential FX regulations banks borrow and lend less in foreign currency (with no change in their borrowing and lending in local currency), firms shift away from bank FX borrowing and increase their FX borrowing from market investors (with no increase in firm non-FX borrowing from investors), banks are less exposed to exchange rate movements, and firms experience less reduction in their exposure to exchange rate movements than banks.

- Macroprudential FX regulations on banks accomplish their direct goals and significantly reduce bank vulnerability to currency movements, but can also generate leakages and a partial shifting snowbank of FX vulnerability to other sectors of the economy.

- One key implication is for the debate on capital controls versus macroprudential policy.

- A final implication for the application of macroprudential policies is the importance of the regulatory perimeter when evaluating the impact on aggregate welfare.

8. Extrapolative beliefs in the cross-section: What can we learn from the crowds?

Zhi Da Xing Huang Lawrence J. Jin

ABSTRACT

- Using novel data from a crowdsourcing platform for ranking stocks, we investigate how investors form expectations about stock returns over the next week.
- We find that investors extrapolate from stocks' recent past returns, with more weight on more recent returns, especially when recent returns are negative, salient, or from a dispersed cross-section.
- Such extrapolative beliefs are stronger among nonprofessionals and large stocks.
- Moreover, consensus rankings negatively predict returns over the next week, more so among stocks with low institutional ownership and a high degree of extrapolation.
- A trading strategy that sorts stocks on investor beliefs generates an economically significant profit.

问题提出

- A central question in finance is how investors form expectations about future asset returns. Recent work provides convincing evidence of return extrapolation, the notion that investors' expectations about an asset's future return are a positive function of the asset's recent past returns.
- Despite their intuitive theoretical appeal, extrapolation models have thus far been tested primarily with data on the aggregate stock market. There has been very little direct evidence on how investors form expectations about individual stock returns, whether these expectations are rational, and how they relate to subsequent returns.

研究内容

Taking advantage of the Forcerank data, we investigate how individuals form their expectations about future returns on individual stocks and how these expectations affect asset prices.

研究方法

An exponential decay function as the weighting scheme on past returns

数据来源

Forcerank data--a crowdsourcing platform

结论

- We provide strong empirical evidence that investors extrapolate from recent past returns of individual stocks when forming expectations about future returns.
- We find that extrapolation is asymmetric between positive and negative past returns: investors put more weight on negative past returns, and this weight decays more slowly into the past for these negative returns.
- Investor expectations respond more strongly to salient past returns, and salient returns from both the recent past and the distant past affect investor expectations.
- Our results suggest that beliefs of Forcerank users are systematically biased.
- In the cross-section, we find that return predictability of the Forcerank score is stronger among stocks with lower institutional ownership and a higher degree of extrapolation.

9. Real effects of share repurchases legalization on corporate behaviors

Zigan Wang Qie Ellie Yin Luping Yu

ABSTRACT

- We use staggered share repurchases legalization from 1985 to 2010 across the world to examine its impact on corporate behaviors.
- We find that share-repurchasing firms do not cut dividends as a substitution. The cash for repurchasing shares comes more from internal cash than external debt issuance, leading to reductions in capital expenditures and R&D expenses.
- While this strategy boosts stock prices, it results in lower long-run Tobin's Q, profitability, growth, and innovation, accompanied by lower insider ownership.
- Tax benefits and paying out temporary earnings are two primary reasons that firms repurchase.

问题提出

- A central topic in corporate finance is how firms manage their cash. The decision to distribute cash to shareholders is among the most important ones for corporate managers with substantial free cash flows. As one of two major distribution methods, repurchasing shares has become increasingly popular.
- Staggered legalization across countries provides an identification setting (difference-in-differences, or DID, methodology) that allows us to reinvestigate the motivations and consequences of share repurchases that previous work has documented without being able to address endogeneity issues.

研究问题

This study investigates the effects of share repurchases legalization on firm operations.

研究方法

DID, the Weibull hazard model（合法化是独立外生的）

数据来源

We construct an international sample by combining manually collected share repurchases legalization years, country-level information from the World Bank, and global firms' characteristics from Worldscope.

结论

- Significant increases in total payouts following legalization
- Share repurchases do not serve as a short-run substitute for cash dividends
- Firms that buy back shares mainly finance their repurchases through internal cash instead of external debt issuance
- Their capital expenditures as well as R&D expenses drop and are accompanied by a reduction in cash holdings.
- After legalization, the stock return for repurchasing firms becomes higher, while firm value, profitability, sales growth, and innovation outcome remain stable in the short run but all decline in the long run.
- Our cross-sectional analyses further show that the effects of legalization on firm operations attenuate in markets with trading restrictions on share repurchases, in markets with lower net tax rates on dividend, and for more financially constrained firms.
- Tax benefits and paying out temporary earnings are two primary reasons for share repurchases.

10.Competition among liquidity providers with access to high-frequency trading technology

Dion Bongaerts Mark Van Achter

ABSTRACT

- We model endogenous technology adoption and competition among liquidity providers with access to High-Frequency Trading (HFT) technology.
- HFT technology provides speed and information advantages. Information advantages may restore excessively toxic markets.Speed advantages may reduce resource costs for liquidity provision. Both effects increase liquidity and welfare.
- However, informationally advantaged HFTs may impose a winner’s curse on traditional market makers, who in response reduce their participation. This increases resource costs and lowers the execution likelihood for market orders, thereby reducing liquidity and welfare.
- This result also holds when HFT technology dominates traditional technology in terms of costs and informational advantages.

问题提出

- The participation of HFTs spurred an intense debate on their impact on markets.
- HFTs have acquired substantial market shares, thereby largely crowding out traditional liquidity providers (low-frequency traders, LFTs).
- Large investors complain about increased “slippage” as a result of HFT presence.
- HFTs, however, point at tighter spreads due to their presence.

研究问题

Our paper examines how competition among differentially paced and differentially informed liquidity providers affects markets, using a model with endogenous participation and technology adoption.

研究方法（两阶段均衡模型）

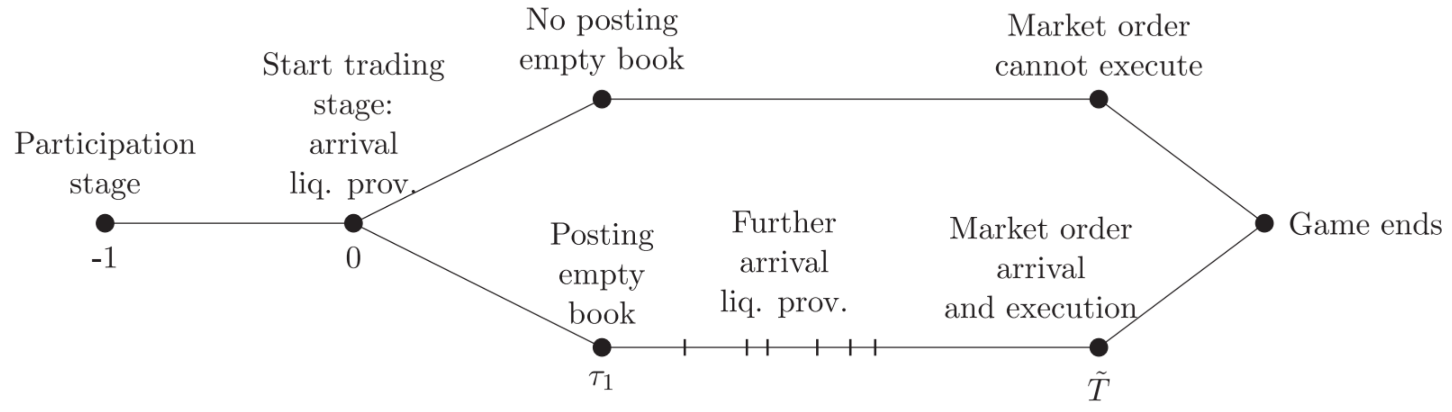

Fig. 1. Timeline of the game.
This figure displays the timing of events from the participation decision of traders until the execution of the market order, if any quotes are posted.

结论

- We analyze the consequences of the emergence of HFTs, complementing or replacing LFTs on financial markets in a long-term equilibrium model with endogenous participation and technology adoption.
- We find that with low levels of informed trading, HFT speed technology improves market liquidity and welfare, which is reflected in lower transaction cost for end-users (as, e.g., shown in Menkveld, 2016).
- However, asymmetric information problems can arise when HFTs retract in anticipation of toxic order flow (as shown in Anand and Venkataraman, 2016; Baldauf and Mollner, 2016; Korajczyk and Murphy, 2018). In such situations, only LFTs keep markets liquid. Yet, they may have been largely crowded out by HFTs (as, e.g., described in Kirilenko and Lo, 2013).
- Interestingly, this is the situation that markets are heading to as HFT technology becomes more affordable. This situation will result in a proliferation of information processing technology of market participants at an unprecedented scale.
- In the transition period, markets may adopt HFT technology too early, leading to liquidity and welfare deteriorations.

11. Investors' appetite for money-like assets: The MMF industry after the 2014 regulatory reform

Marco Cipriani Gabriele La Spada

ABSTRACT

- This paper uses a quasi-natural experiment to estimate the premium for money-likeness.

- The 2014 Securities and Exchange Commission (SEC) reform of the money market fund (MMF) industry reduced the money-likeness of prime MMFs by increasing their information sensitivity, while leaving government MMFs unaffected. Investors fled from prime to government MMFs, with total outflows exceeding one trillion dollars.

- Using a difference-in-differences design, we estimate the premium for money-likeness to be between 20 and 30 basis points (bps). These premiums are not due to changes in investors' risk tolerance or funds' risk taking.

- Our results support recent developments in monetary theory identifying information insensitivity as a key feature of money.

问题提出

- Several papers have recently shown that investors are willing to pay a premium to hold money-like assets.
- Several recent contributions to monetary theory have argued that, for an asset to be used as money, it must be immune from adverse selection; that is, it must be information insensitive.
- According to the new rule, which came into effect in October 2016, prime MMFs are forced to adopt a system of redemption gates and liquidity fees; in addition, prime MMFs offered to institutional investors are forced to value their shares at market price.

研究问题

We estimate the premium investors are willing to pay for money-like assets from the net-yield spread between prime and government MMFs.

研究方法

DID, IV

数据来源

N-MFP filings with the SEC and iMoneyNet

结论

- By the changing regulatory regime of prime MMFs, the reform made them less informational insensitive and therefore less money-like.
- We exploit such differential regulatory treatment to estimate a premium for money-like assets associated the differential information sensitivity of prime and government funds.
- The premium for money assets is large, 20 bps on an annual basis for retail investors and 30 bps for institutional ones.
- The estimated premiums are not due to changes in relative risk taking after the reform.

12. What is the impact of introducing a parallel OTC market? Theory and evidence from the chinese interbank FX market

Craig W. Holden
Volodymyr Lugovskyy
Dong Lu
Daniela Puzzello

ABSTRACT

- Chinese interbank foreign exchange trading was originally conducted through a centralized, anonymous limit order book (LOB). We determine the impact of the introduction of a parallel decentralized over-the-counter (OTC) market.

- We find that: (1) most trading migrated to the OTC, (2) the LOB price function is upward-sloping versus the OTC price function is downward-sloping, and (3) the LOB market has a single price function versus the OTC market has multiple price functions.

- Next, we develop a theoretical model of parallel markets that can simultaneously explain all of these empirical findings. We test a new model prediction and find support.

问题提出

- In practice, we observe that LOB and hybrid mechanisms dominate trading in stocks and options, whereas the OTC mechanism dominates trading in foreign exchanges, bonds, spot commodities, and nonstandard derivatives
  - ➢ The transaction costs of an LOB or hybrid should be much less.
  - ➢ Institutional traders can use their larger average trade size to bargain for a better price in an OTC mechanism.
- It is difficult to test these two hypotheses because we rarely see the introduction of a parallel trading mechanism to an existing market.

研究问题

After the parallel introduction, which trading mechanism predominates?

Do the parallel LOB and OTC markets have upward- or downward-sloping price functions

Do the LOB and OTC markets have a single price function or multiple price functions?

研究方法

natural experiment, a theoretical model of parallel markets

数据来源

Our data are composed of the transactions of the Chinese interbank FX market, as recorded by the CFETS from August 2005 to December 2006.

结论

- We find that: (1) the vast majority of trading migrated to the OTC market over a six-month transition; (2) the LOB price function is upward-sloping (i.e., higher transaction costs for larger trades), whereas the OTC price function is downward-sloping (i.e., lower transaction costs for larger trades), and (3) the LOB market has a single price function (i.e., everyone gets the same price function), whereas the OTC market has multiple price functions (i.e., larger banks get better prices).
- We also develop a theoretical model of parallel markets that can simultaneously explain a single upward-sloping price function on the LOB and multiple downward-sloping price functions on the OTC market. The model generates an additional empirical prediction that the critical trade size at which you switch from the LOB to the OTC is negatively related to your bargaining power. We test this prediction and find support for it.

13. Common pricing across asset classes: Empirical evidence revisited

Nikolay Gospodinov Cesare Robotti

ABSTRACT

- Intermediary and downside risk asset pricing theories lay the foundations for spanning the multi-asset return space by a small number of risk factors.

- Recent studies show strong empirical support for such factors across major asset classes.

- We revisit these results and show that robust evidence for common factor pricing remains elusive. Importantly, the proposed risk factors do not seem to provide incremental information to the traditional market factor.

- We argue that most of the economic and statistical challenges are not specific to these analyses and, with the aid of a placebo test, offer general recommendations for improving empirical practice, thus adding to the prescriptions in Lewellen et al. (2010).

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问题提出

- 中介资产定价理论

Adrian et al. (2014) propose an intermediary pricing kernel with broker-dealer leverage shocks as a single risk factor.

He et al. (HKM, 2017) advocate the use of shocks to the equity capital ratio of primary dealers in a two-factor model （**MKT** and financial intermediary capital risk factor---**CPTL** and **CPTLT**）.

- 下行风险定价

Lettau et al. (LMW, 2014) extend the downside risk capital asset pricing model (DR-CAPM) to other asset classes such as currencies, commodities, sovereign bonds, and options.

- The main finding of HKM and LMW is striking: a simple linear two-factor model appears to price a wide range of asset classes, with the capital and downside risk factors carrying large and highly significant risk premia.

问题提出

- In HKM, this pricing is achieved in the context of highly heterogeneous and volatile test assets and an extremely low number of effective time series observations per test asset. In this case, standard asymptotics may not provide an accurate approximation, as it often results in inflated statistical significance.
- In LMW, the inference is conducted using the Fama and MacBeth (1973) procedure under the assumption of a correct and fully identified model. Model uncertainty and possible identification failure further reinforce these concerns.

研究问题

Against this background, is it realistic to expect such statistical and economic significance of the proposed risk factors? A robust evaluation of the model requires that the economic and statistical analysis captures the data limitations mentioned so far.

研究方法

描述性统计，夏普比率分析，GRS检验

two pass CSR methodology，安慰剂检验

结论

- 实证资产定价文献不懈地寻找具有稳健定价性能的风险因素。然而，对测试资产定价因素的模型进行统计评估，即使是在单一资产类别（股票、债券等）内，仍然具有挑战性。
- **模型的不确定性、识别能力差、相对于检验资产数量而言时间序列样本量小**等，为实证分析提出了许多问题。对以不同波动性和因素结构为特征的跨资产类别进行定价评估，会使一些问题更加严重。
- 作者在中介和下行风险资产定价的背景下总结了这些推理的局限性，并提供了一些一般性的建议，这将**为评估所提出的风险因素的经济和统计意义提供一个可靠的框架**。

14. The high volume return premium and economic fundamentals

Zijun Wang

ABSTRACT

- Extending Kaniel et al. (2012) and many others, we present the first empirical evidence that indicates the high volume return premium is linked to economic fundamentals.

- The volume premium has strong predictive power for future industrial production growth and other macroeconomic indicators with or without controls for common equity pricing factors and business cycle variables.

- However, only a small portion of the volume premium can be attributed to its comovement with equity return factors and economic risk factors.

- Mispricing-based factor models also fail to adequately explain the return anomaly.

问题提出

- It has long been recognized that stocks that recently receive a substantial positive volume shock receive excess market-adjusted returns.
- The explanation for HVP： Merton's (1987) investors recognition hypothesis, Bali et al. (2014) liquidity shocks by investor inattention and illiquidity, the mispricing explanation.

研究问题

This paper investigates whether the significant positive cross-sectional correlation between abnormal trading volume and future stock returns is linked to fundamental economic risks.

We are interested in whether the volume premium can be explained by existing factor asset pricing models.

数据来源

nonfinancial common stocks with share codes 10 or 11 for the period of July 1, 1963 through December 31, 2016

CRSP stock securities files and events files； Compustat merged annual and quarterly data files

结论

- The volume premium contains information that helps to predict future industrial production growth in and out of samples.
- We find some cross-sectional evidence that is potentially consistent with the risk interpretation of HVP. A factor tracking news related to industrial production growth contains information for pricing volume-sorted portfolios that is incremental to the common risk factors. High volume stocks are risker and command higher premiums because they load more than low volume stocks on three economic factors: industrial production, change in expected inflation, and the term premium.

谢谢！