2013 SMU-SUFE Summer Institute of Finance Conference

2013年新加坡管理大学-上海财经大学夏季学术研讨会

Jointly organized and sponsored by Singapore Management University (Lee Kong Chian School of Business)

新加坡管理大学 (李光前商学院) -上海财经大学 (上海国际金融研究院、金融学院、商学院) 联合主办

CONFERENCE CO-ORGANIZERS:

 - Jun TU (Singapore Management University)
 - Neng Wang (Columbia Business School & Shanghai University of Finance and Economics)

Day one: Doctoral Consortium

Shanghai (上海财大豪生大酒店 2楼 宴会厅（A厅）)

Venue: Howard Johnson Caida Plaza Shanghai (2nd floor; Ballroom A);

No.188 Wudong Road, Yangpu District, Shanghai 200434.

http://www.caidahojo.com/concierge-en.html

Monday, July 8, 2013

11:45-12:00   Registration

12:00 - 1.55pm	Lunch

1:55 - 2:00	Welcome Address Speech by Zhongzhi He

2:00 - 2:30	Speech by Phil Dybvig (Wahsington Univ.)

about doing research for the PhD students and jounior professors and about preparing for the job market for the PhD students

2:30 - 2:45	*Paper One:* Trend-based Conditional Asset Pricing: Explaining the Cross-section of Technical Analysis Profitability *Abstract:* This paper develops a trend-based conditional asset pricing framework, in which conditional betas are modelled as linear functions of lagged market trends. Specifically, I use the moving average (MA) indicators of the aggregate market portfolio to identify the up and down price trends of the stock market. The market and size premiums under the up trends are substantially higher than those under the down trends, so that portfolios with high (low) market or size betas under up (down) trends will generate higher unconditional expected returns. The trend-based conditional asset pricing framework can largely explain the cross-sectional technical analysis profitability anomaly. Presenter: Jiang Fuwei (SMU) Discussant: Chales Cao (Penn State)
2:45 - 2:55	Discussion
2:55 - 3:00	Q & A

3:00 - 3:15	*Paper Two:* Who Knows What When? The Informational Effect of Dodd-Frank Act *Abstract:* This paper examines the impact of Dodd-Frank Act on credit rating agencies. Previously, RFD prohibits U.S. listed firms from selective disclosure to investment professionals, but CRAs are exempted. The Act repeals the exemption granted to credit rating agencies (CRAs). As a result, CRAs are no longer conduits of selective disclosure, which may reduce the value of credit ratings to the stock analysts and the equity investors. We examine a sample of credit rating changes and their effect on equity investors and stock analysts. We find that Dodd-Frank Act weakens the informational effect of credit ratings changes as the Act rescinds the informational edge attributable to the exemption. Presenter: Lee Yen Teik (SMU) Discussant: Lou Yan (Fudan)
3:15 - 3:25	Discussion
3:25 - 3:30	Q & A

3:30 - 3:45	Break

3:45 - 4:00	*Paper Three:* What Drives Venture Capital Activity: A Natural Experiment in China *Abstract:* This paper examines the factors driving venture capital investment activity in China between 1999 and 2009 with the establishment of Shenzhen SME Board in 2004 as a natural experiment. We find that SME Board's establishment has a strong positive impact on venture investment activities. The impact, however, appears to occur through the demand-side channel. Industry aggregate and deal level venture investment patterns support our key argument. The increase in activity is mainly driven by new VC funds and government-backed funds. Our research analysis offers several important insights for policy makers who wish to foster venture capital activity. Presenter: Leng Tiecheng (SMU) Discussant: Jingzhi Huang (Penn State)
4:00 - 4:10	Discussion
4:10 - 4:15	Q & A

4:15 - 4:30	*Paper Four:* Forecasting the Equity Risk Premium:The Role of Foreign Exchange Market Technical Indicators *Abstract:* Numerous academic studies examine equity risk premium predictability based on various macroeconomic variables and technical indicators from stock market. In this article, we extend the frontier of technical indicators used in predicting equity risk premium from stock market to foreign exchange market due to various reasons. Firstly, foreign exchange market reflects and predicts various economic fundamentals potentially useful for predicting equity risk premium, though may not be fully reflected by available macroeconomic variables used in the literature for forecasting equity risk premium. Moreover, there are some studies that report the evidence of the connection between foreign exchange market and stock market. Given that technical rules have been documented to work well in offering predicting power at foreign exchange market, the predictability of the technical indicators from foreign exchange market may provide useful information on predicting equity risk premium as well through the connections between the two markets. Furthermore, foreign exchange market may provide forecasting power through predicting investors' change of sentiment given that the change of sentiment is correlated with stock returns. We find that on top of using technical indicators from stock market and macroeconomic variables, incorporating technical indicators from foreign exchange market as well can not only improve the overall forecasting performance but also increase the stability of the forecasting performance across different regimes like increased or decreased sentiment regime. In addition, we show that the incorporation of technical indicators from foreign exchange market on top of technical indicators from stock market and macroeconomic variables can produce significant certainty equivalent return gains from an investment perspective. Presenter: Wang Yuchen (SMU) Discussant: Guofu Zhou (Wash U)
4:30 - 4:40	Discussion
4:40 - 4:45	Q & A

4:45 - 5:00	Break

5:00 - 5:30	Panel Discussion on PhD supervision
	Moderator: Jun Tu (SMU)
	Panelists: Phil Dybvig (Wash U), Guofu Zhou (Wash U), Yong Chen (Texas A&M), Hyun Soo Choi (SMU)
	On the topic of how to supervise ph.d. students for faculty and how to work with faculty for phd students.
	Recommended to SMU and SUFE young junior faculty and Ph.D. students

6:30 - 8:30	Conference Dinner
~ end ~	

Day two
Tuesday, July 9, 2013

8:30-9:00   Registration

9:00 - 9:20	Paper One: Is sell-side research more valuable in bad times?
	Session Chair: Neng Wang
	Research Area: Financial Intermediation **Abstract:** In bad times, greater uncertainty can make analysts' forecasts and recommendations more valuable because it is harder for investors to assess the prospects of the firms they invest in. At the same time, however, analysts can be distracted by the difficult information environment and hence write less valuable research. Analyst performance in bad times can also depend on whether the covered firm is in the financial sector. As insiders in the financial sector, analysts can see events unfold within their own sector and therefore have an insider advantage in bad times that they typically do not have in normal times. However, they may also face potential conflicts of interest in not wanting to be too pessimistic about the prospects of financial firms.We examine a large sample of analyst output from 1983 to 2011 and find that despite an increase in forecast activity, analysts' earnings forecast accuracy deteriorates for all firms during bad times. However, consistent with the conflicts story, analysts' forecasts are too optimistic only for financial firms. We also find intriguingly that despite poorer earnings forecasts, stock recommendation downgrades and upgrades become more influential during bad times for all firms. This increased influence occurs in spite of the fact that stock returns are more volatile during bad times. Our evidence shows that analysts' role in financial markets increases in importance during bad times. Even when earnings forecast quality deteriorates during bad times, sell-side research becomes more valuable through the influence of its stock recommendations. Presenter: Roger Loh Discussant: Frank Yu (CEIBS)
9:20 - 9:40	Discussion
9:40 - 9:50	Q & A

9:50 - 10:00	Break

10:00 - 10:20	Paper Two: Bond Covenants and Institutional Blockholding
	Session Chair: Sheng Huang
	Abstract: Using a sample of 10,513 public bonds issued between 1979 and 2008, we find that institutional blockholding significantly increases the restrictiveness of bond covenants. This effect is stronger for active blockholders and short-term blockholders, suggesting that stronger shareholder rights aggravate concerns on ex-post bondholder-shareholder conflicts. The impact of institutional blockholding on covenants is significant in investment-grade issues but not in non-investment-grade issues. Further, leverage significantly increases covenant restrictions for non-investment-grade issues, but it does not significantly influence the covenant structure for investment grade issues. These results suggest that the covenants of investment grade bonds are designed to mainly address potential bondholder-shareholder conflicts, while the financial distress risk is the first-order concern for non-investment grade issues
	Research Area: Corporate Governance
	Presenter: Cinder Xinde Zhang
	Discussant: Zhi (Jay) Wang (University of Oregon)
10:20 - 10:40	Discussion
10:40 - 10:50	Q & A

10:50 - 11:00	Break

11:00 - 11:20	Paper Three: What Are Analysts Really Good At?
	Session Chair: Zhongzhi He
	Abstract: Sell-side analysts employ different benchmarks when defining their recommendations. A 'buy' for some brokers means the stock is expected to outperform its industry, while for other brokers it means the stock is expected to outperform the market, or some absolute return. We use these benchmarks to analyze the role of stock picking, industry picking, and market timing in the investment value of stock recommendations. Analysis of the relation between analysts' recommendations and their forecasts suggests that analysts abide by their benchmarks. We find strong evidence that the investment value of stock recommendations stems from stock picking within a particular industry. We find no evidence of either industry picking or market timing skills. *Research Area:* Security Analysts; Financial Intermediation Presenter: Wang Rong Discussant: Jialin Yu (HKUST)
11:20 - 11:40	Discussion
11:40 - 11:50	Q & A

12:00 - 2:00	Lunch

2:00 - 2:20	Paper Four: Valuing Private Equity
	Session Chair: Fangjian Fu
	Abstract: We develop a dynamic valuation model of private equity (PE) investments by solving the portfolio-choice problem for a risk-averse investor (LP), who invests in a *Research Area:* Corporate finance, Macroeconomics, Asset pricing Presenter: Jinqiang Yang Discussant: Jingzhi Huang (Penn State)
2:20-2:40	Discussion
2:40-2:50	Q & A

2:50 - 3:00	Break

3:00 - 3:50	Paper Five: When Real Estate is the Only Game in Town: Local Bias and Investment Homes
	Session Chair: Xuanjuan Chen
	Abstract: We test the hypothesis that households are more likely to purchase investment homes nearby when there is a lack of local public equity investment opportunities. Following Hong, Kubik, and Stein (2008), we use the RATIO of aggregate book value of firms headquartered in a city to total income in that city as a proxy for local equity investment opportunities. We find that most households' investment homes are located within 60 miles of their primary residence. The fraction of second home mortgages to total mortgages originated in a city is negatively correlated with RATIO. Using a sample of household portfolios, we find that households living in Census Divisions with low RATIO are more likely to have investment homes. The price-to-rent ratios of investment homes are also higher when there are fewer firms nearby. *Research Area: Real Estate Economic; Household Finance* Presenter: Hyun-Soo Choi Discussant: Wenlan Qian (NUS)
3:20-3:40	Discussion
3:40-3:50	Q & A

3:50 - 4:00	Break

4:00 - 4:50	Paper Six: Jump Clusterings and Optimal Derivative Strategy
	Session Chair: Joe Zhang
	Abstract: We study a framework under which the representative investor has access to multiple derivative assets and is subject to jump clusterings in the stock market. Both option prices and optimal portfolio choices are solved in closed form. We use MLE to estimate our model together with two other important models in the literature that are nested, and find the present setup exhibits substantial improvement in pricing. Applying our estimation to investigate the implied portfolio choice, we find jump clustering is effective at reducing the optimal stock holding. Furthermore, we identify interesting interactions between holdings of the two derivative assets which have different exposure to jump and diffusive risks. *Research Area: Empirical Asset Pricing* Presenter: Dan Luo Discussant: Jialin Yu (HKUST)
4:20 - 4:40	Discussion
4:40 - 4:50	Q & A

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