摘要报告

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汇报人: 薛海燕

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Contents

1.Should Intangible Investments Be Reported Separately or Commingled with Operating Expenses? New Evidence

- Luminita Enache
- Anup Srivastavaa

Tuck School of Business, Dartmouth College

山西大学 shanxi university

Motivation

Prior studies:

a dramatic increase in U.S. firms' intangible investments (other than R&D and advertising).

↓

reported in SG&A accounts

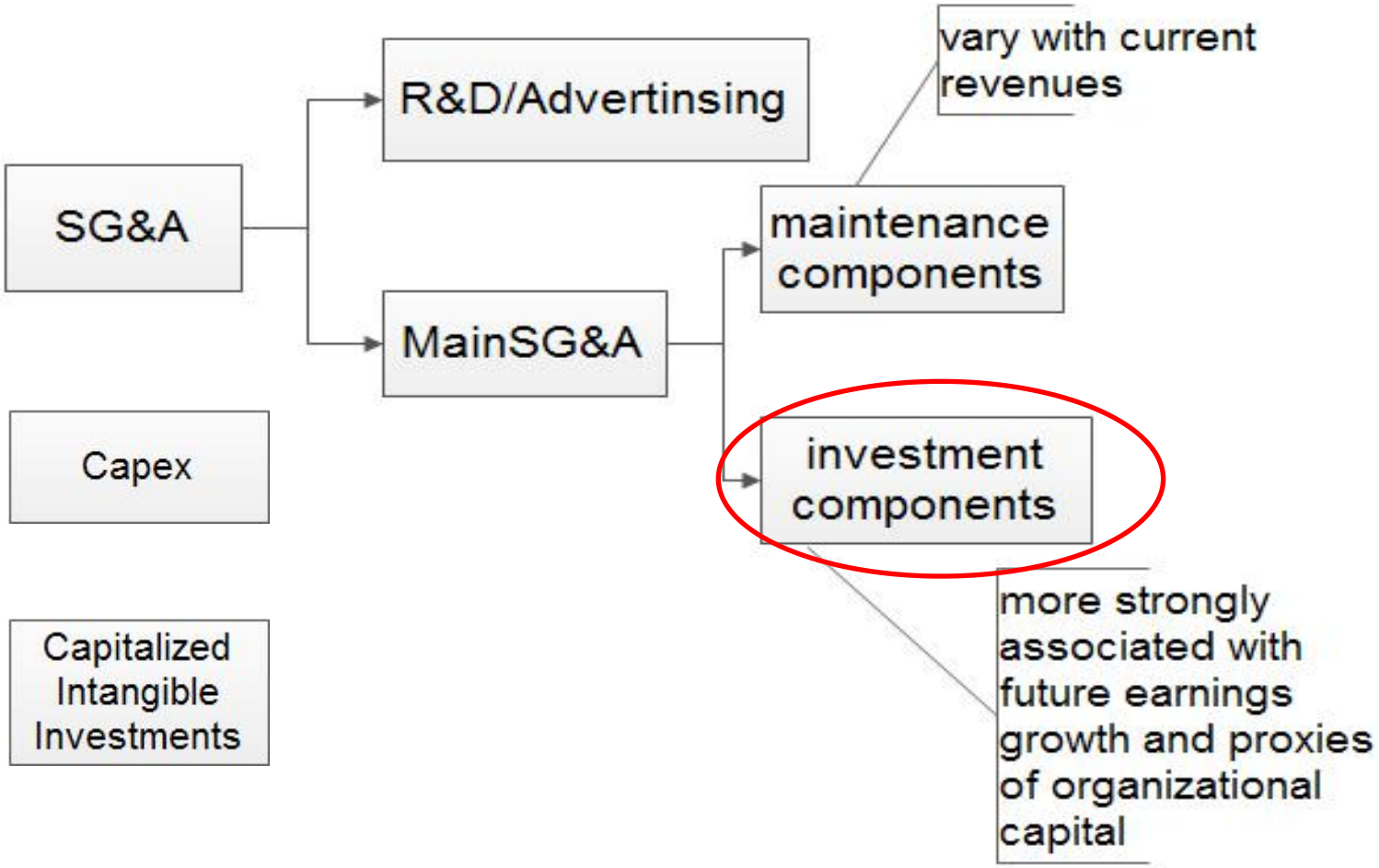
Debate :whether firms should report intangible investments separately ?

Need to solve :the amounts and the properties of commingled intangible investments.

The paper: 1)a new method to estimate these investments

2) examine properties relative to other investments.

Question 1: Differences in theFuture Benefits of Various Investment Outlays.
Question 2: Differences in the Uncertainty of the Future Benefits of Various Investment Outlays



Question 1: Differences in theFuture Benefits of Various Investment Outlays.

$$\begin{aligned} FutureBenefits_{i,t} &= \alpha + \gamma_1 \times R\&D_{i,t} + \gamma_2 \times Advertising_{i,t} \\ &+ \gamma_3 \times InvestmentMainSG\&A_{i,t} + \gamma_4 \times Capex_{i,t} \\ &+ \gamma_5 \times CapitalizedIntangibleInvestments_{i,t} \\ &+ \Sigma\beta_s \times Controls_{i,t} + \varepsilon_{i,t}, \end{aligned}$$

FutureBenefits is measured by 1) ChangeInEarnings 2)Tobin's q

Question 2: Differences in the Uncertainty of the Future Benefits of Various Investment Outlays

$$\begin{aligned} UncertaintyOfFutureBenefits_{i,t} &= \alpha + \gamma_1 \times R\&D_{i,t} + \gamma_2 \times Advertising_{i,t} \\ &+ \gamma_3 \times InvestmentMainSG\&A_{i,t} + \gamma_4 \times Capex_{i,t} \\ &+ \gamma_5 \times CapitalizedIntangibleInvestments_{i,t} \\ &+ \Sigma\beta_s \times Controls_{i,t} + \varepsilon_{i,t}, \end{aligned}$$

UncertaintyOfFutureBenefits is measured by 1) idiosyncratic stock-return volatility 2)future earnings volatility

Result of Question 1 : for a given dollar of investment, on average, R&D produces the highest future benefits, followed by the investment portion of MainSG&A and Capex, in that order

Result of Question 2: The regression coefficients on MainSG&A investments are now comparable to those on R&D, and both are significantly higher than on Capex.

Stock Returns from Investments Based on MainSG&A Investments

	Differences in Jensen's alphas for portfolios formed by highest and lowest quintiles of outlays ($N = 40$ years)					
	InvestmentMainSG&A		*MaintenanceMainSG&A*		*MainSG&A*	
	Market model	Fama and French three-factor model	Market model	Fama and French three-factor model	Market model	Fama and French three-factor model
	2.37%	2.94%	−0.32%	1.85%	0.69%	−0.86%
t-Statistic	1.32	2.01	−0.14	0.79	0.29	−0.37
Significance (two-tailed basis)	0.19	0.05	0.89	0.43	0.76	0.71

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Conclusions

- We propose a new method to estimate intangible investment outlays.
- These outlays, aimed at improving organizational knowledge and capabilities, are the largest category of intangible investments and the fastest-growing category of operating investments.
- They affect future firm performance and risk. Predictability of future earnings and stock returns improves when these outlays are distinguished from operating expenses.
- Thus, benefits could accrue from reporting them separately.

Contribution

First, we inform an important debate as to whether firms should report intangible investments separately or commingle them with operating expenses.

Second, we propose a new measure of intangible investments, which is more strongly associated with future earnings than the maintenance component of MainSG&A.

Third, we show that the determination of whether firms have reduced their operating investment over time is affected by whether the investment portion of MainSG&A is classified as an operating investment.

2.The Effects of Hedge Fund Interventions on Strategic Firm Behavior

- Inder K. Khurana

University of Missouri, Columbia

- Yinghua Li

Arizona State University, Tempe

- Wei Wang

Temple University, Philadelphia

Motivation

对冲基金(Hedge fund)：基金管理者在购入一种股票后，同时购入这种股票的一定价位和时效的看跌期权

Hedge fund activism has emerged as an important governance mechanism that brings about significant changes in the operations and governance of target Firms. (positive abnormal returns、 create value、 product market effects、innovation)

➢**Prior research:**

hedge fund interventions can induce intense conflicts between hedge fund activists and the target firm management.

recent studies focus mainly on the consequences of hedge fund activism

➢**The paper:**

whether and how target firm managers use *voluntary disclosure* and *earnings management* strategies after hedge fund activists intervene

1. withhold bad news(disclosure)
2. real earnings management
3. increase bad-news disclosures after step up real earnings management

trade-off :
acceding to demands and engaging in a fight
receive pay cuts/be replaced

firm managers

hedge fund activists

force managers to take actions to increase shareholder value
jeopardize managers' corporate control

the effect of firm characteristics

- firms with more volatile operations will be more inclined to withhold bad news
- withholding of bad news is attenuated when covered by more analysts and faces higher product market competition.

The Effects of Hedge Fund Activist Characteristics.

- it more difficult to withhold bad news if the intervention horizon is relatively longer.
- hedge fund intervention poses the greatest threat to the management's job security and control of the firm

Sample: 562 activist hedge funds and 4,420 activist events involving 2,714 target firms for the period 2001–2013.6

Method: DID

$$MF = \alpha + \beta(POST) + \delta(TARGET) + \lambda(POST \times TARGET) + \gamma(X) + \eta + \varepsilon$$

MF is DMF or NUMMF.

DMF is the incidence of management forecasts in a quarter; it equals one if the firm issues at least one management forecast in the quarter (including good-news, bad-news, or neutral forecast), and zero otherwise. We use logit regressions when *DMF is the dependent variable.*

NUMMF captures the frequency of management forecasts issued in a quarter; it is measured as the number of management forecasts issued in the quarter

Conclusions

- We find that both the likelihood and the frequency of management earnings forecasts conveying bad news decrease following interventions by hedge fund activists.
- We also find that target firm managers are more likely to engage in real earnings management by temporarily boosting sales, overproducing inventory to reduce the cost of goods sold, and cutting discretionary expenses during hedge fund interventions.
- Additional analyses suggest that target firm managers substitute between withholding of bad news and real earnings management strategies in resisting hedge fund attacks.
- We find little or no evidence that managers increase good-news disclosures or engage in accrual-based earnings management during hedge fund interventions

Contribution

- First, we contribute to a growing literature on the effect of hedge fund activism on target firms. our findings highlight that heightened career/reputation concerns and endangered corporate control induce managers to strategically alter their voluntary disclosure practices and real decisions during hedge fund interventions.

- Second, we add to a growing body of concurrent work that examines the effects of shareholder activism on managerial . To the best of our knowledge, we are the first study to provide evidence that target firm managers resort to bad-news withholding and earnings management as **substitutive strategies** in resisting hedge fund attacks.

3.Managerial Incentives to Increase Risk Provided by Debt, Stock, and Options

- Joshua D. Anderson

Questrom School of Business, Boston University

- John E. Core

MIT Sloan School of Management

Abstract

➢We **measure a manager's risk-taking** incentives as the total sensitivity of the manager's debt, stock, and option holdings to firm volatility.

➢We compare this measure with the option vega and with the relative measures used by the prior literature.

Vega does not capture risk-taking incentives from managers' stock and debt holdings and does not reflect the fact that employee options are warrants.

The relative measures do not incorporate the sensitivity of options to volatility.

➢Our new measure explains risk choices better than vega and the relative measures and should be useful for future research on managers' risk choices.

Motivation

➢Studies on early samples show a strong positive association between vega and risk taking (Guay 1999, Coles et al. 2006), whereas studies on later samples show mixed results (e.g., Hayes et al.2012).

Vega: the sensitivity of managers' option holdings to a change in stock volatility

➢We reexamine vega and show that it has two shortcomings: (1) it does not reflect the option value of equity, and therefore it does not capture risk-taking incentives from managers' stock and inside debt (unsecured pensions and deferred compensation) and (2) it does not reflect the fact that employee options are warrants.

➢We derive and calculate an overall measure of a manager's risk-taking incentives using the total sensitivity of the manager's debt, stock, and option holdings to firm volatility.

Contribution

- We calculate a measure of risk-taking incentives that incorporates the sensitivity of managers' stock and debt holdings and allows researchers to test predictions about risk shifting.
- We find that the new measure is more highly associated with risk choices than vega and the relative measures.
- Our measure should be useful for future research on managers' risk choices.

4.Liquidity Provision and the Cross Section of Hedge Fund Returns

➢ Russell Jame

University of Kentucky

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Motivation

➢**Phenomenon :**

The hedge fund industry has grown from $38 billion in 1990 to over $2.7 trillion in 2015.

➢**Prior research:**

Presumably, much of this growth is driven by investors' faith in their ability to identify outperforming hedge funds. Consistent with this view, recent work suggests that a subset of highly skilled hedge funds earn persistent abnormal returns .

However, relatively little is known about the trading styles associated with superior hedge fund performance.

➢**This paper:**

examine whether a fund's tendency to supply liquidity is one such style that can help identify better-performing hedge funds.

Motivation

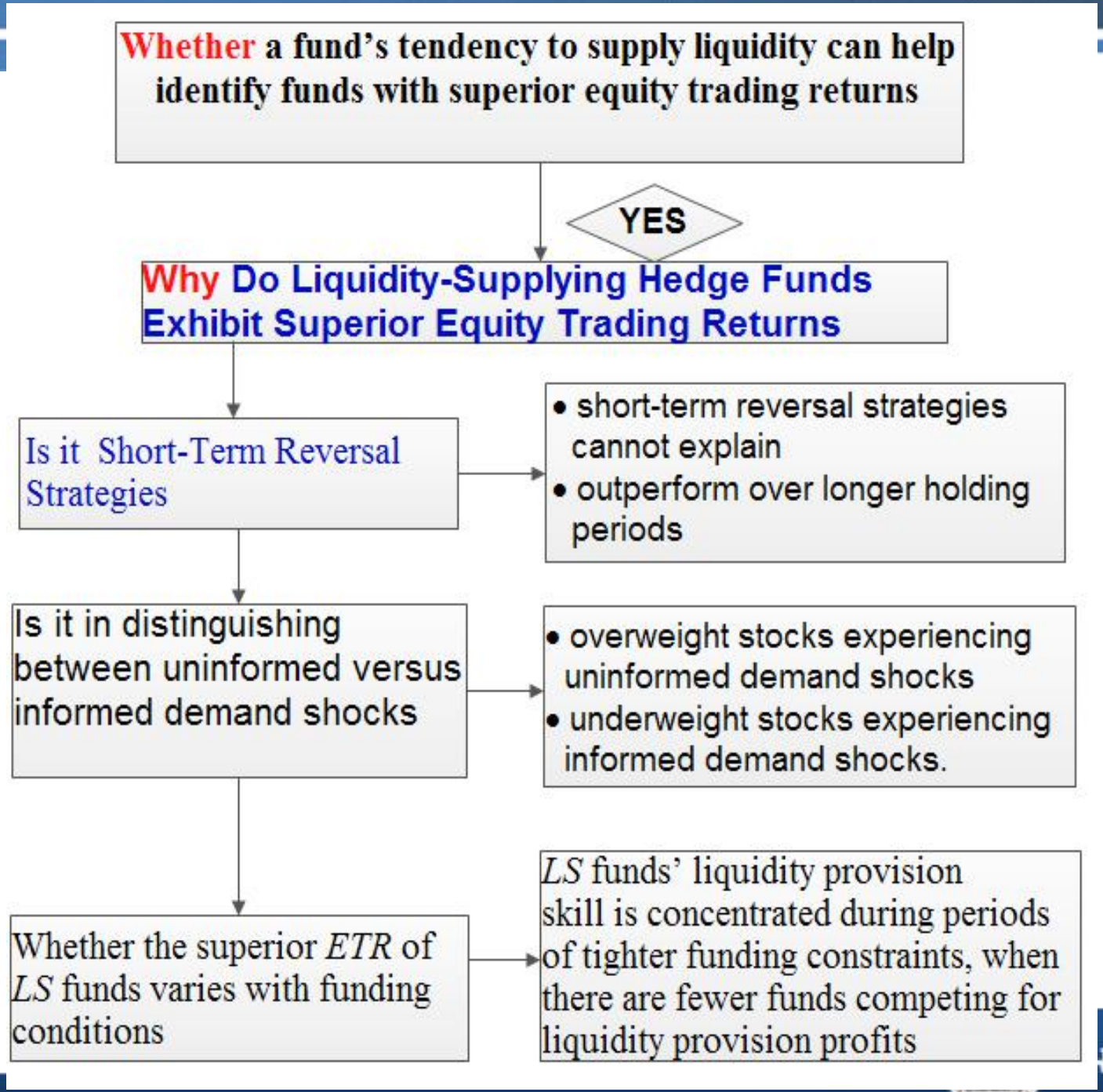
- liquidity provision :trading against price-pressure- induced mispricing

Examples :

- buying stocks that institutional investors must sell quickly to meet investor redemptions
- Selling stocks added to the S&P 500 index in the days surrounding index changes

Contrarian trades(反向交易)

buying stocks declining and selling stocks rising



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Sample: institutional equity trading from 1999 to 2010 from ANcerno Ltd, consists of 70 hedge fund management companies

Variable measure:
compute a market-adjusted return over the past one day (*Mom1) and past five days (Mom5), and then average* the two returns (*Mom1&5).*
LS trades: as purchases of stocks with low*Mom1&5 or sales of stocks* with high *Mom1&5. (买低卖高）*
LD trades : purchases of stocks with high *Mom1&5 or sales of stocks with low Mom1&5.（买高卖低）*
LS (LD) funds are defined as funds in the bottom (top) quintile of *Mom1&5.*
Method: regression

Conclusions

- This paper offers a first look at whether liquidity supplying funds earn superior returns.
- Funds that engage in greater amounts of short-term contrarian trading (i.e., liquidityprovision) earn significantly higher returns on their equity trades and holdings.
- The superior returns are not simply a consequence of mechanical reversal strategies but instead largely reflects liquidity provision skill.

  liquidity supplying funds are more likely to trade against stocks heavily traded by constrained mutual funds and less likely to trade against stocks experience heavy trading pressure from unconstrained funds.
- The outperformance of liquidity-supplying funds is also concentrated during periods of limited funding liquidity, which suggests that a fund's tendency to provide liquidity is a useful proxy for the fund's financing constraints.

Contribution

- I document that a fund's tendency to provide liquidity is associated with future superior returns.
- My findings suggest that a fund's tendency to provide liquidity contains incrementally useful information about a fund's financing constraints.
- My study contributes to the debate over whether skilled hedge funds exist my findings indicate that liquidity-supplying funds are skilled equity traders

5. Do Stock Returns Really Decrease with Default Risk? New International Evidence

- Kevin Aretz

University of Manchester

- Chris Florackis

University of Liverpool Management School

- Alexandros Kostakis

University of Manchester

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Motivation

➢**Debate:**

The cross-sectional relation between default risk and stock returns, the so-called default risk premium, has been a subject of intense debate in the literature.

➢**Prior research:**

U.S. market: *flat, negative, hump-shaped ,*

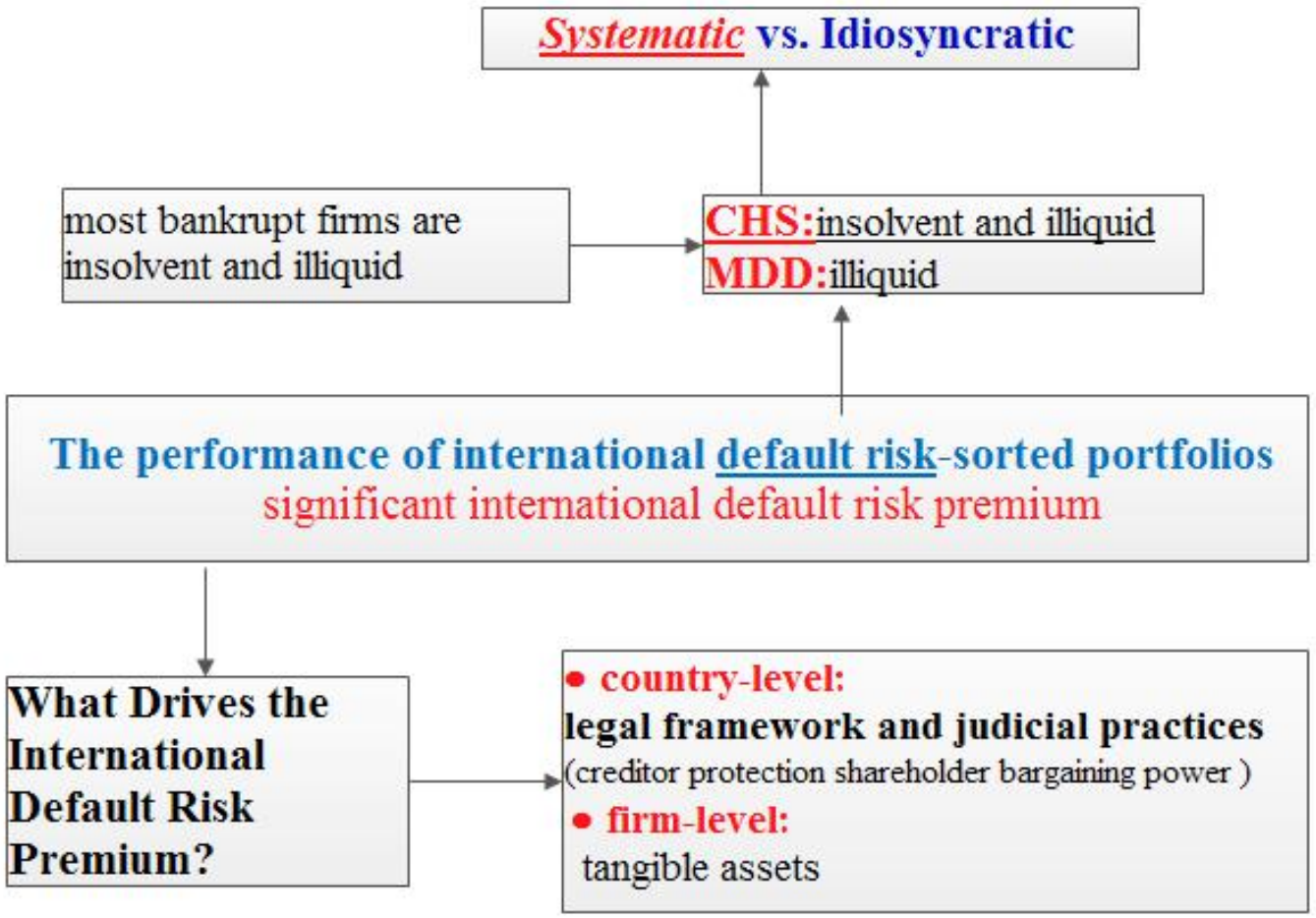
POSITIVE(small samples or uncommon proxies for expected stock returns)

non-U.S. firms: negative (Gao et al. 2015; Eisdorfer et al. 2013)

Merton's (1974) distance-to-default(MDD) model

➢**This paper:**

We use international data to shed more light on the distress anomaly. estimate default probabilities following the reduced-form approach of Campbell et al. (2008) (hereafter, CHS).


Systematic vs. Idiosyncratic
most bankrupt firms are insolvent and illiquid
CHS:insolvent and illiquid
MDD:illiquid
The performance of international default risk-sorted portfolios
significant international default risk premium
What Drives the International Default Risk Premium?
• country-level:
legal framework and judicial practices
(creditor protection shareholder bargaining power)
• firm-level:
tangible assets

Sample: we collect firm bankruptcy filings for 14 developed countries, excluding the United States, over the period 1992–2013

The Bankruptcy Forecasting Model:

$$\begin{aligned}&\text{Prob}_{m-12}(Y_{i,m}=1 \mid Y_{i,m-1}=0)\\&=\frac{1}{1+\exp(-\alpha-\boldsymbol{\beta}'\mathbf{X}_{i,m-12})},\end{aligned}$$

(CHS)

$$MDD_{i,t}=\frac{\ln(V_{i,t}/X_{i,t})+(\mu_{i,t}-0.5\sigma_{i,t}^2)}{\sigma_{i,t}},$$

Method: Logit Regressions, Fama–MacBeth Regressions

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Conclusions

- we find a significant default risk premium in our international sample.
- we find that the systematic component of default risk drives this positive relation rather than the idiosyncratic one.
- MDD is not a sufficient statistic for default probability and that it is inferior to CHS for bankruptcy forecasting, CHS disagrees with MDD predominantly on the identification of the lowest default risk firms
- We also show that the default risk premium is more pronounced in countries where creditor protection is stronger and shareholder bargaining power is lower.

6. Do Superstitious Traders Lose Money?

- Utpal Bhattacharya

Hong Kong University of Science and Technology

- Wei-Yu Kuo

National Chengchi University

- Tse-Chun Lin

University of Hong Kong

- Jing Zhao

Hong Kong PolytechnicUniversity

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Motivation

Superstition, which is defined as a belief that is not based on reason, has been a part of the human condition since humans began.

Michael Jordan: under his uniform every time

European Formula 1 auto racing : bans the number 13 in its entry list for cars

China : August 8, 2008, at 8:08 p.m (8 sounds like “good fortune.”)

have no fourth floor(4 sounds like “death”)

Prior research:

there is no academic research as far as we know, on the effect of superstition on individual trading decisions and investment performance.

This paper:

This paper is one such piece of research that aims to add to the emerging literature on the behavior of retail investors.

whether some investors carry their superstitious beliefs in numbers over to their trading

→ individual investors: exhibit superstition in lucky and unlucky numbers
institutional investors:domestic or foreign,do not

how this type of superstitious trading behavior affects their investment performance

→ *An investor's superstition level is negatively associated with that investor's subsequent investment performance.*

why superstitious individual investors lose money

→
- **Bad Market Timing**
- **Stale Orders:** without active monitor

whether learning by trading helps investors to alleviate reliance on their number superstition

→
- Learning by Trading:(√)
  past trading experience
- In a naïve and overoptimistic way:
  past returns

Sample: We use all the limit order submission and execution records in Taiwan Futures Exchange (TAIFEX) during the period from January 2003 to September 2008.

Individual investors account for 73.20% of the transaction volume

Variable measure:

limit order submission ratios

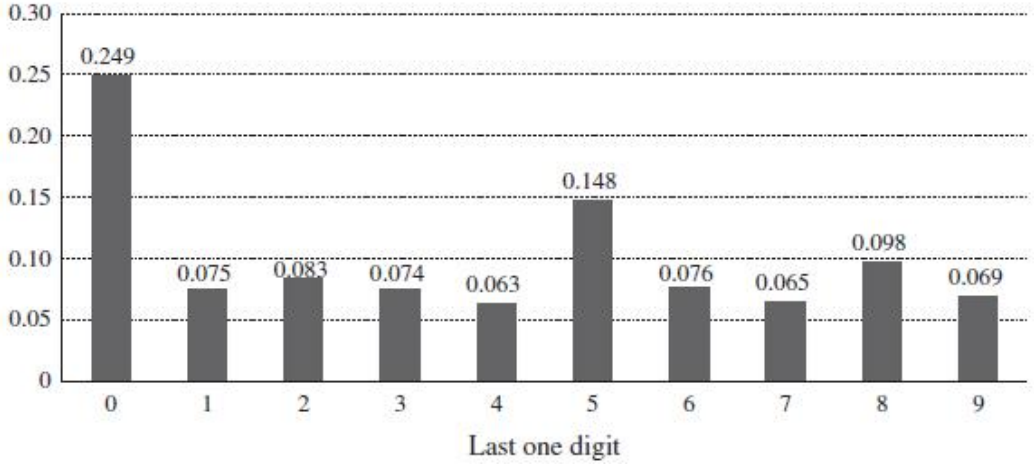
$$SubRatio_X = \frac{Number\ of\ limit\ orders\ submitted\ at\ X}{Total\ number\ of\ submitted\ limit\ orders}$$

superstition index

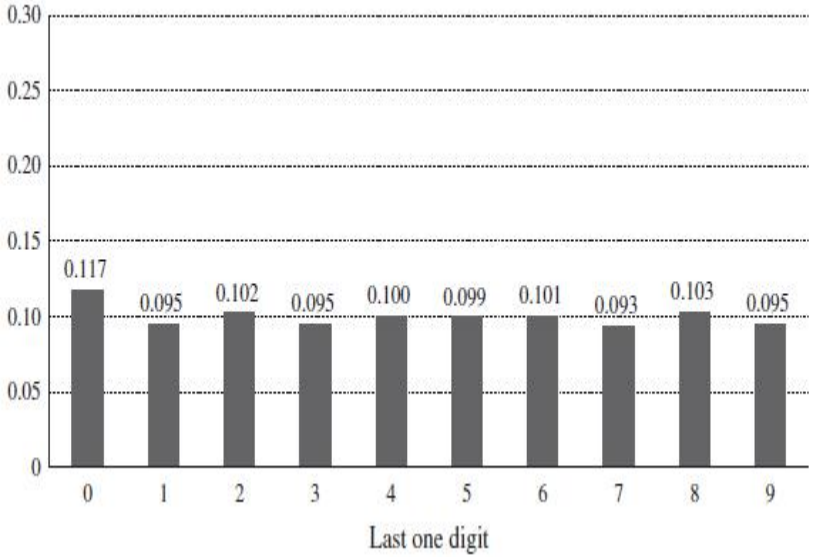
$$SI_{i,t} = (Number\ of\ limit\ orders\ submitted\ at\ 8 - Number\ of\ limit\ orders\ submitted\ at\ 4) \cdot (Total\ number\ of\ limit\ orders\ submitted\ by\ investor\ i)^{-1}.$$

Method: Quintile Analysis; Cross Sectional Regression; Two-Stage Regression Analysis; Placebo Tests

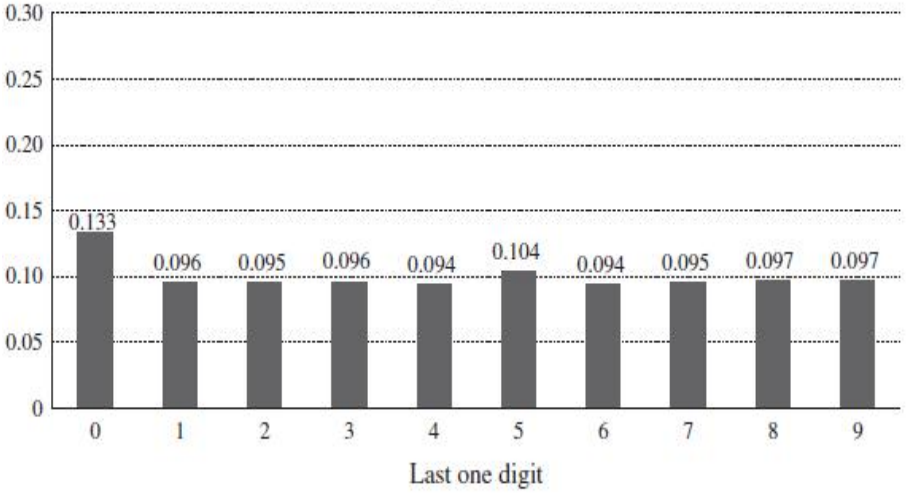
A: Individual investors



B: Domestic institutions



C: Qualified foreign institutional investors



Conclusions

- This paper documents that individual investors exhibit number superstition when submitting limit orders.
- we find that more superstitious individual investors incur significantly lower intraday, one-day, and five-day mark-to-market index returns of their limit orders.
- we find that superstitious individual investors underperform because they have bad market timing (mostly because they buy on days when the market return are low) and have stale limit orders that get picked off by smarter traders.
- The good news is that individual investors can learn from their trading experience and become less superstitious.

Contribution

➢Our paper contributes to the literature on retail investor behavior, the field that deals with the psychological biases that affect individual trading decisions we provide, to our knowledge, the first attempt to show that some retail investors use lucky and unlucky numbers to make their trading decisions

➢Our paper also adds to the household finance literature. Our results indicate that some retail investors use financial markets unwisely, and so there may be room for financial education to improve their welfare, as we show that learning mitigates the reliance of retail investors on number superstition.

7. The Informational Role of Corporate Hedging

- Alberto Manconi

Bocconi University

- Massimo Massa

Finance Department, INSEAD

(欧洲工商管理学院)

- Lei Zhang

Nanyang Technological University

山西大学 shanxi university

Motivation

Phenomenon: According to the Bank for International Settlements (2013), the combined notional value of outstanding interest rate (IR) and foreign exchange (FX) derivatives held by nonfinancial companies rose nearly fivefold from $9.4 trillion in 2000 to $44.4 trillion as of December 2012.

Debate: While in principle derivatives are a hedging tool that should reduce corporate risk, there is widespread practitioner concern that the complexity of derivative contracts can harm financial statement transparency.

Prior research:
The literature has analyzed determinants of corporate hedging and its relationship to firm policies. its informational role is so far largely unexplored.

This paper:
we provide the first direct evidence on the impact of hedging on informed trading

Motivation

"opacity" hypothesis: information asymmetry between managers and investors

- Disclosure requirements： "fair market values"
- Managers： support unprofitable business/hide negative information/manipulate earnings
- informed investors: benefit from opaque disclosure, increases their relative informational advantage ,make their trades more profitable.

"transparency"hypothesis： information asymmetry between firm and market

- if the firm's exposure is uncertain and there is information asymmetry between the management and the market, hedging "macro" risks (FX, interest rate) becomes important, provides investors with protection against risk that they cannot themselves diversify
- helps to retain managerial talent, allow key employees who are risk averse
- informed traders: erode the advantage

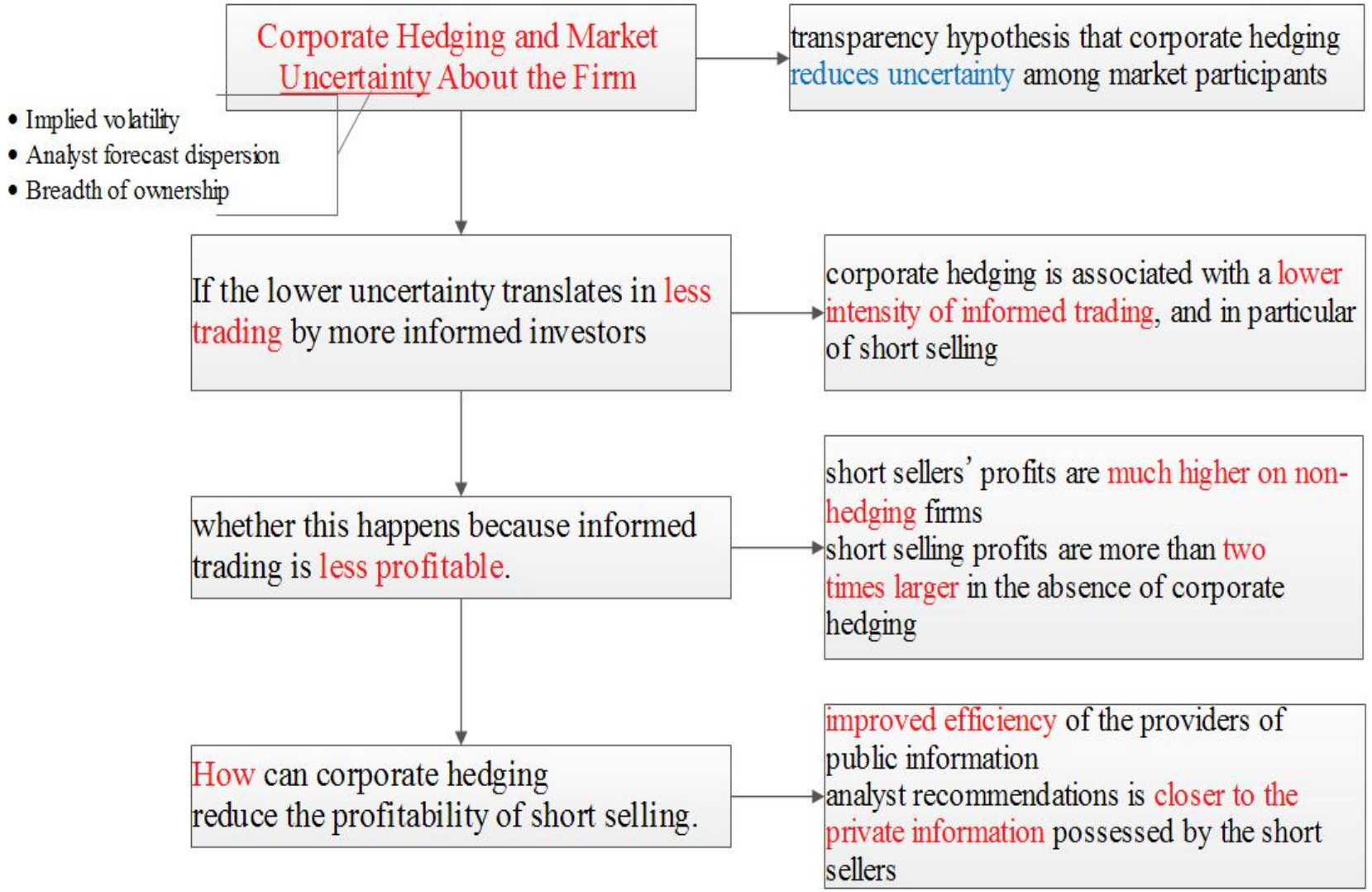
Motivation

“opacity” hypothesis:

- Corporate hedging increases uncertainty about firm value.
  (greater stock price volatility, reduced agreement among equity analysts and among investors.
- with a higher intensity of informed trading
- average returns to the more informed traders should be higher in the presence of corporate hedging.

“transparency”hypothesis:

- with a lower level of uncertainty
- lower informed trading intensity
- lower profitability for informed traders.


Corporate Hedging and Market Uncertainty About the Firm
transparency hypothesis that corporate hedging reduces uncertainty among market participants
• Implied volatility
• Analyst forecast dispersion
• Breadth of ownership
If the lower uncertainty translates in less trading by more informed investors
corporate hedging is associated with a lower intensity of informed trading, and in particular of short selling
whether this happens because informed trading is less profitable.
short sellers' profits are much higher on non-hedging firms
short selling profits are more than two times larger in the absence of corporate hedging
How can corporate hedging reduce the profitability of short selling.
improved efficiency of the providers of public information
analyst recommendations is closer to the private information possessed by the short sellers

Sample: a sample of 6,084 stocks, or 331,232 stock month from 2002 to 2009.

Variable measure:

Short selling: the ratio of the quantity of shares borrowed for short selling, divided by the number of shares outstanding

Uncertainty: Implied volatility, Analyst forecast dispersion, or Breadth of ownership

informed trading: PIN Roll's measure

PIN :probability of informed trading implied by the structural model of Easley et al. (2002), Roll's measure :the (log-) adverse selection component of the bid-ask spread(Roll ,1984) and Hasbrouck (2009)

Method: Regression

Conclusions

- We study the informational role of corporate hedging.
- We run a horse race between two alternative hypotheses. we provide evidence consistent with the transparency hypothesis.
- Hedging firms are subject to a lower intensity of informed trading and short selling.
- Moreover, the average returns on short sales are more than two times smaller on the stocks of hedging firms than on non-hedging firms.
- The main channel for the impact of corporate hedging on short selling profitability appears to be a reduction in uncertainty.

Contribution

- First, it contributes to the literature on corporate hedging. Our results indicate that hedging limits uncertainty about firm value, thus reducing the profitability of informed trading and short selling.
- Second, our findings contribute to the asset pricing literature on corporate transparency, informed trading, and especially short selling. Our contribution is to show that corporate hedging actually makes short selling less profitable, by eroding the information advantage of short sellers vis-à-vis other market participants

8. The Foreign Investor Bias and Its Linguistic Origins

- Russell Lundholm

University of British Columbia

- Nafis Rahman

University of Hong Kong

- Rafael Rogo

Indiana University

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Motivation

Phenomenon:
international investors underweight foreign stocks in their portfolios.
("home bias" or "foreign investor bias)

Prior research:
Country differences in accounting rules, investor protection laws, cultural norms, and language have been shown to predict the degree of underweighting

This paper:
- Canada has had two official languages, *French and English*, with French spoken primarily in Quebec and English primarily in the other nine provinces.
- The accounting rules are the same across the country; regulatory filings and accounting disclosures are prepared in both languages, and the geographic distance
effectively zero for U.S. investors

Do U.S. investors underweight Quebec firms relative to ROC firms?

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U.S. Institutional Investor Bias Against Quebec vs. the Rest of Canada

→ U.S. institutional investors exhibit a significant bias against firms in Quebec relative to the ROC

whether part of the underweighting of Quebec firms documented above is due to the use of the French language in Quebec

→ ratio of U.S. ownership is higher when firm has
- an analyst who works for a U.S. brokerage
- a board member who resides in the US
- has a CEO with U.S.work experience
- of lower *frechness*

How Do UK and French Institutional Investors View Quebec Firms?

→ French investors have a significantly smaller bias than British investors against Quebec firms relative to ROC firms.

Sample:

identify all firms headquartered in Canada and listed on the Toronto Stock Exchange between the years 2000 and 2012,

8,089 firm-years, with 1,249 firm-years in Quebec and 6,840 firm-years in the ROC

Variable measure:

PCT_US :Percentage ownership by U.S. institutional investors

Method:

Regression, *zero-inflated beta model*

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Conclusions

- In the search for the root cause of the underweighting of foreign firms in investors' portfolios, Canadian firms provide an excellent natural experiment for isolating the impact of misaligned language on this well studied investor bias
- U.S. institutional investors invest significantly less in Quebec firms than in firms elsewhere in Canada .
- Many Quebec firms take actions to combat the impact of misaligned language, such as hiring a CEO with U.S. experience, appointing a board member who resides in the United States or maintaining an internet presence that includes many English Documents
- We also find that French investors are significantly less biased against Quebec firms than are British investors

9. The Bull of Wall Street: Experimental Analysis of Testosterone and Asset Trading

- Amos Nadler

Western University

- Peiran Jiao

University of Oxford

- Cameron J. Johnson

Claremont Graduate University

- Veronika Alexander

Loma Linda University

- Paul J. Zak

Claremont Graduate University

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Motivation

Prior research:

Investors' decisions are influenced by mood, sunshine, sports events, and other nonmarket factors

Neurobiology(神经生物学) affects investors' preferences and beliefs,

yet little is known about the biological（生物学） aspects of financial decision making.

This paper:

This is the first study to test the effects of testosterone（睾丸素）—a potent male hormone—on males' trading decisions and the impact of those decisions on asset price bubbles.

Motivation

hormoa **：** Named from the Greek verb *meaning "to excite"* (Starling 1905), hormones are chemical messengers that influence the brain and body to motivate both long-term physical and neurological (i.e., "developmental") features and short-term (i.e., "activational") behavioral changes

we focus on the sex hormone testosterone, because the majority of professional traders are male, and testosterone is especially influential in male physiology. Testosterone plays significant roles in biological development, is a central biological driver of gender differences.

Research shows that relative to females, males hold an overwhelming majority of trading jobs in finance ,overtrade and take more risks, exhibit greater overconfidence and associated acquisitiveness and generate larger price bubbles in experimental markets.

Hypothesis:

1)testosterone will cause traders to overbid for financial assets,2) which drives larger price bubbles—defined as upward deviations from an asset's fundamental value.

Design

We use the dynamic experimental market introduced in Smith et al. (1988) (SSW)

By externally administering testosterone or placebo in a double-blinded procedure, this study creates markets that differ only by the testosterone levels of the market participants (called traders), and tests for the causation of testosterone on trading behavior and prices.

Discussion

- Risk Aversion

Decreased risk aversion is an appealing candidate for explaining why testosterone-treated traders paid more for assets , leading to larger bubbles.

- Overconfidence

we observed that testosterone-treated traders (unconditionally) attributed their performance overall more to their “talent” and less to “luck

- Beliefs

Testosterone may have changed beliefs toward comparatively higher future prices and thereby motivated bidding above assets’ fundamental values

- Cognition and Self-Control

likely affects trading behavior by biasing toward intuitive, impulsive, and rapid cognition that excludes complex and relevant information

- Status Seeking(no)
- Mood(no)

Conclusions

- we show that exogenously increasing testosterone in men increases bid prices and asset price bubbles, and slows the incorporation of fundamental value.

- These results stand to inform retail and professional asset traders, regulators, and policy makers, as it is likely that testosterone significantly affects decisions that meaningfully impact the economy.

10. Risk Aversion and Son Preference: Experimental Evidence from Chinese Twin Parents

- Soo Hong Chew

National University of Singapore

- Junjian Yi

National University of Singapore

- Junsen Zhang

Chinese University of Hong Kong

- Songfa Zhong

National University of Singapore

Abstract

- We study the role of risk aversion underlying son preference in patriarchal societies, where sons serve as better insurance for old-age support than daughters.
- The implications of an insurance motive on son preference are twofold. First, prior to the birth of their children, more-risk-averse parents have a stronger preference for sons than for daughters. Second, after the birth of their children, parents with sons are more risk seeking, compared to parents with daughters.
- we find that parents with higher risk aversion before the birth of their children are more likely to have sons through sex selection than parents with lower risk aversion.
- Additionally, having sons significantly decreases parental risk aversion.
- These results contribute to the literature on the sources of son preference and help shed light on the nature of gender inequality.

Thank you!!