Chair of Corporate Governance

Seminar HWS2024 – Current Topics in Finance

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Organization

- All necessary information (including topic descriptions) can be found on our website https://niessen.bwl.uni-mannheim.de
- Contact details for general questions
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- Advisor:
  - Lukas Mertes, lukas.mertes@uni-mannheim.de
  - Larissa Ginzinger, larissa.ginzinger@uni-mannheim.de
  - Leah Zimmerer, leah.zimmerer@uni-mannheim.de

What are the prerequisites?

- You are a master student.
- You have successfully completed at least one finance course.
- Some knowledge of statistics and econometrics is useful and participants should be motivated to undertake empirical work.
- You are available in the time period from beginning of July to end of August.

Time-line

Please refer to the timeline information on the respective website:

https://www.bwl.uni-mannheim.de/en/finance/teaching/master/seminar-thesis/#c91102

- Submission of Online Applications
- Topics Allocation Announcement
- Starting Date
- Registration/Withdrawal Period
- ~~Literature Review Paper Submission (6 Weeks)~~
- Empirical Paper Submission (8 Weeks)

Please pay attention to the deadlines!

FIN 604 Stata in Finance

- New course on how to write an empirical paper using Stata and the databases offered at the University of Mannheim.
- Not a mandatory prerequisite for writing a seminar paper or master thesis but highly recommended - in particular for empirical seminar theses and almost all of the master theses in the finance area.
- 2 ECTS
- Detailed information on the tutorial is available on the website of the Chair of Prof. Theissen: https://www.bwl.uni-mannheim.de/en/finance/teaching/master/seminar-thesis/#c125629

How to apply?

- Submit your priority list online between June 06 and June 20, 2024
- You can combine topics from different chairs. For example,
  - First preference: “3rd Topic, Chair of Prof. Niessen-Ruenzi”;
  - Second preference: “10th Topic, Chair of Prof. Ruenzi”;
  - Third preference: “4th Topic, Chair of Prof. Theissen”
- Please only choose topics you are really willing to work on
- The allocation of topics is based on the average grade of your finance exams and your priority list from the seminar application form.
  - Priority will be given to students with a high semester count.

How do we grade?

- The seminar paper will be supervised by Prof. Niessen-Ruenzi and an assigned advisor.
- Grading:
  - 2/3 seminar paper
  - 1/3 presentation of the seminar paper
- Own (empirical) contribution will be rewarded.
- Plagiarism: No excuse policy
- If you do not pass or do not hand in your seminar thesis, you must(!) write your seminar thesis at our chair **the next time that we offer** a seminar.
  - If you want to switch to another seminar (in the finance area or a different area), a change of modules is necessary. This is a rule by the examinations office.

How should your paper look like?

- 12 pages (±10%) (excluding appendix)
- Language: English
- Detailed formal requirements: See the guidelines provided on our website:

  https://www.bwl.uni-mannheim.de/en/niessen-ruenzi/teaching/course-page/fin731/#c162791

General remarks on the topics

- We offer only empirical topics.
  - Submission of the seminar paper within 8 weeks is required.
- Pay attention when filing your priority list!
- At most one student will be permitted for each topic version.
- Preliminary date for the seminar presentations: September 3rd, 2024 (online)
- Raw data for the empirical topics will be either provided or gained from the databases available at the university, but processing and supplementing the data is necessary.

NR1: Attention and Price Pressure

Advisor: Lukas Mertes

Motivation:

- Attention Theory (Barber and Odean, 2008)
  - Huge universe of stocks, individual investors focus on attention grabbing stocks
  - Number of potential buyers is much larger than the number of potential sellers
  - Attention leads to net buying position and thus price pressure in the short run.
- Barber and Odean (2008) provide first empirical evidence that individual investors buy attention-grabbing stocks using iidirect measures: high contemporaneous abnormal trading volume, previous day's return, mentions in the news.
- Da, Engelberg, and Gao (2011) use Google Search Volume Index (SVI) as a direct measure of revealed attention
  - SVI captures investors' attention in a timelier fashion than existing proxies
  - Confirming the findings of Barber and Odean (2008) using SVI
  - Increase in attention as measured by the SVI results in positive abnormal returns (week 1-2) before prices ultimately revert (week 5-52).

Goal

- Empirically examine the relation between attention and stock prices in Germany
- Broadly replicate the price pressure findings (Table 6 and 7) of Da, Engelberg, and Gao (2011) using German data.
  - Measure attention using the Wikipedia pageview analysis of DAX companies.
- The empirical work requires the use of individual stock returns.
- Data are accessible at WRDS. E
- Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods.

NR2: Portfolio Driven Disposition Effect

Advisor: Lukas Mertes

Motivation:

- Disposition Effect: investors' tendency to hold on to loser stocks for too long and to sell winner stocks too early; not only individuals (Odean, 1998; Weber and Camerer, 1998) but also professional investors (Frazzini, 2006)
- An et al. (2024): empirically and experimentally show that the Disposition Effect on the individual stock level significantly weakens if the portfolio is trading a gain but is large when the portfolio is trading at a loss
    - in US household data by Barber and Odean (2000), in Chinese brokerage data, in an experiment with Amazon Mechanical Turk workers, and in an experiment with Chinese students
- An et al. (2024) suggests that investors do not only form mental frames at the stock but also the portfolio level. From an investor's point of view, realizing a loss on the stock level is less severe if the corresponding portfolio is trading at a gain rather than a loss. As such, the Disposition Effect is strongest when both frames indicate a loss

Goal

- Empirically examine the Portfolio Driven Disposition Effect
- Broadly replicate the main findings of An et al. (2023) with respect to the US household data
- Extend the findings by examining whether additional mental frames exist on other dimensions, for example on the industry level
- Data are available on request from Terrence Odean, and at WRDS
- Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods

NR3: Momentum Crashes

Advisor: Lukas Mertes

Motivation:

- Momentum effect: buying stocks which performed well in the past and selling stocks which have performed poorly in the past earns significant positive returns over the next 3 to 12 months (Jegadeesh and Titman, 1993)
- Cannot be explained by common risk factors, thereby questioning the idea of efficient markets
- Has been documented for various countries (Chui et al., 2010), time periods (Jegadeesh and Titman, 2001; Israel and Moskowitz, 2013), and asset classes (Okunev and White, 2003; Asness, Moskowitz, and Pedersen, 2013)
- Daniel and Moskowitz (2016): momentum crashes
  - While returns are positive on average, they can be highly negative (summer of 1932 or in the spring of 2009)
  - Momentum crashes are more likely when the market has fallen in the past and contemporaneous market returns are high
  - The positive average return on momentum strategies might be regarded as compensation for the downside risk of facing significant losses during such market periods

Goal

- Empirically examine momentum crashes
- Broadly replicate the main findings (Table 1-4) of Daniel and Moskowitz (2016)
- Extend the sample period to cover the COVID pandemic as a predestined period for momentum crashes
- Data are accessible at WRDS and at Kenneth French's website
- Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods

NR4: The Rise of ESG Investing in the Mutual Fund Industry

Advisor: Larissa Ginzinger

Motivation:

- Notable rise in investor demand for sustainability over past decades (Hartzmark and Sussman, 2019)
- Integration of ESG factors into investment decisions gained significant traction within asset management industry: ESG assets expected to hit $53 trillion by 2025 (Bloomberg, 2021)
- Rise in ESG investing driven by both the creation of new funds and repurposing, i.e., existing funds adopting greener sounding names
  - Strategic repurposing of less successful funds (Cochardt et al. , 2023)
  - Greenwashing concerns (Andrikogiannopoulou et al., 2022)

Goal

1. Comprehensive literature review on ESG investing in the mutual fund industry
   - (sources of) investor demand for sustainability
   - growing importance of ESG investing in mutual fund industry
   - different types of ESG investing
   - greenwashing concerns
2. Descriptive evidence on the rise of ESG investing in the mutual fund industry
   - CRSP Survivor Bias-Free Mutual Fund Database
   - mutual fund prospectuses from SECs EDGAR platform
   - requires at least basic knowledge of statistical software (e.g. Stata, R or Python) and econometrics

NR5: The Green Bond Boom

Advisor: Larissa Ginzinger

Motivation:

- Green bonds: bonds whose proceeds are used to finance “green” projects such as renewable energy, green buildings or resource conservation
- Corporate issuance of green bonds increased tremendously since 2016 (“green bond boom”)
- Do green bonds signal a credible commitment by firms to improve their environmental profile?
    - Flammer (2021):
        - investors respond positively to the issuance of green bonds
        - issuers improve their environmental performance and experience an increase in ownership by long-term and green investors post-issuance
    - Aswani and Rajgopal (2023):
        - positive stock market reaction to green bond issuances exclusively driven by non-financial large issuers or financial firms
        - issuers' emissions remain the same four years after issuance of green bonds

Goal

1. Comprehensive literature review on green bonds
    - development of green bond market over time
    - investors’ reaction to green bond issuances
    - effect of green bonds on firms’ environmental profiles
2. Descriptive evidence on rise of green bonds over time and event study around green bond issuance
    - information on green bonds from LSEG Workspace
    - stock return data from CRSP
    - requires at least basic knowledge of statistical software (e.g. Stata, R or Python) and econometrics

NR6: Carbon Emissions and Stock Prices: Is There a Carbon Premium?

Advisor: Larissa Ginzinger

Motivation:

- Climate change as one of the defining challenges of our time that poses large aggregate risk to economy and financial system
- Whether carbon transition risk is priced in financial markets has first-order implications for likelihood and speed of a shift to a low-carbon economy
  - Discount on stocks exposed to transition risk (high carbon emissions) → incentivizes companies to cut emissions and investors to engage with portfolio companies
- Open empirical debate on whether and why there is a carbon premium: Bolton and Kacperczyk (2021, 2024), Aswani and Rajgopal (2024a, 2024b), Atilgan et al. (2023), and Zhang (2024)
  - emissions estimated by data vendors versus emissions actually disclosed by firms
  - total emissions versus emission intensities
  - cross-country heterogeneity: degree of economic development, size of energy sector, inclusiveness of political system

Goal

1. Comprehensive literature review on carbon premium
   - theoretical underpinnings of the relation between climate risk and asset prices
   - review of the empirical debate on the carbon premium and its drivers
   - cross-country heterogeneity: role of political systems and economic development in pricing of carbon risk
2. Descriptive evidence on corporate emission (intensities) over time and across industries and analysis of relationship between stock returns and emissions
   - stock return data and firm-level accounting data from CRSP/Compustat
   - emission data from LSEG Workspace
   - requires at least basic knowledge of statistical software (e.g. Stata, R or Python) and econometrics

NR7: Exploring the Household Earnings Gap: Gender Norms and Economic Implications

Advisor: Leah Zimmerer

Motivation:

- Studies show that wives typically earn less than their husbands, a pattern observed in most households worldwide.

- Bertrand, Kamenica, and Pan (2015) attribute this pattern to gender identity norms that discourage wives from out-earning their husbands.

- Bertrand, Kamenica, and Pan (2015) show that when women have a higher likelihood of out-earning men, marriage rates decline. Additionally, wives with higher potential incomes are less likely to participate in the labor force and tend to earn less if they do work. Moreover, wives who earn more than their husbands often take on more household chores, experience lower marital satisfaction, and face a higher likelihood of divorce.

Goal

1. Review the literature on social identity and the household earnings gap.
2. Explore whether the main findings of Bertrand et al. (2015) persist in more recent years.

NR8: The Gender Wage Gap: Influences of Wage Setters' Gender and Age

Advisor: Leah Zimmerer

Motivation:

- The role of women in the economy has undergone significant changes over the last century. Despite this progress, women still face disparities in earnings compared to their male counterparts. Barroso and Brown (2021) find that in 2020, the raw gender wage gap in the US stood at 16%.

- This raises the two questions: Are there any observable factors that can explain the decrease of the gender wage gap? Which factors can explain the remaining gender wage gap?

- Newton and Simutin (2015) argue that the gender and age of individual setting wages significantly influence the gender wage gap. Using a dataset on corporate officers' compensation, they find that CEOs tend to pay officers of the opposite gender less than those of their own gender.

Goal

1. Provide a comprehensive literature review on the gender wage gap.
2. Replicate the main results of Newton and Simutin (2015), extending the analysis to include more recent years.

NR9: The Gender Gap in Stock Market Participation

Advisor: Leah Zimmerer

Motivation:

- One of the most persistent puzzles in household finance is the low level of stock market participation among households (Haliassos and Bertaut, 1995)

- Moreover, there exists a large gender gap in stock market participation. For example, only about 17.6% of women compared to 32.3% of men in Germany participate in the stock market (Niessen-Ruenzi and Zimmerer, 2024).

- Several explanations have been proposed to explain the gap in stock market participation rates between men and women, e.g overconfidence (Barber and Odean, 2001) and financial literacy (Bucher-Koenen, Lusardi, Alessie, and van Rooij, 2021). However, a comprehensive evaluation of the different explanation of the gender gap in stock market participation is currently lacking.

Goal

1. Review the literature that proposes explanations for the difference in stock market participation rates between men and women.
2. Explore cross-sectional variations in the gender gap in stock market participation
3. Explore the importance of various factors that explain for the stock market participation gap between the genders.

Final Remarks

- Visit our website and find a detailed description of every topic https://www.bwl.uni-mannheim.de/en/niessen-ruenzi/teaching/course-page/englisch-fin731/
- Pay attention to the deadlines (submission of priority list).
- Apply only for topics you really want to work on.
- In case of questions, do not hesitate to contact us.
  - Chia-Yi Yen, cyen@mail.uni-mannheim.de
  - Lukas Mertes, lukas.mertes@uni-mannheim.de

Job Offer: Student Research Assistant in Corporate Governance

Part-time position as research assistant (20 h/month) at the Chair of Corporate Governance or Center of Corporate Governance

Your tasks include:

In this position, you will support ongoing research projects in the field of corporate governance at our institute. In particular, you will be involved in literature research, the collection and preparation of data, the preparation of manuscripts and presentations as well as administrative tasks.

Your profile:

In addition to very good to good academic performance, an interest in corporate governance topics (sustainable corporate governance, stakeholder management, executive compensation etc.) and other research topics of the chair is expected. Knowledge of Stata or other statistical programs is an advantage, but not essential. The willingness to acquire such knowledge during working hours would be important.

If you are interested in applying or have any questions, please send your application documents (CV, transcript, short letter of motivation) or questions to larissa.ginzinger@uni-mannheim.de.