FAKULTÄT FÜR BETRIEBSWIRTSCHAFTSLEHRE
Lehrstuhl für ABWL und Corporate Governance
Prof. Dr. Alexandra Niessen-Ruenzi

UNIVERSITÄT MANNHEIM

Universität Mannheim
Lehrstuhl für ABWL und Corporate Governance
68131 Mannheim

Besucheradresse:
L9, 1-2
68161 Mannheim
Telefon 0621/181-1595

Master Theses HWS 2025: Topics

TOPIC NR1: **CEO Pay Incentives and Appetite for Corporate Risk**
Advisor: Larissa Ginzinger

TOPIC NR2: **Skill vs. Luck: CEO Turnover and Performance Evaluation**
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Advisor: Larissa Ginzinger

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Advisor: Sehrish Usman

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Advisor: Sehrish Usman

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Advisor: Lukas Mertes

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Advisor: Lukas Mertes

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TOPIC NR1: CEO Pay Incentives and Appetite for Corporate Risk

Advisor: Larissa Ginzinger

After the failures of Silicon Valley Bank, FTX, and Wirecard, the public debate on executive accountability has intensified. Critics argue that flawed CEO incentive structures may encourage excessive risk-taking, prioritizing short-term gains over long-term stability. A central question is whether the way top executives are paid directly shapes their willingness to engage in risky corporate policies.

Coles, Daniel, and Naveen (2006) provide empirical evidence of a strong causal relation between the structure of CEO compensation and corporate policy choices. In particular, they show that higher sensitivity of CEO wealth to stock volatility (vega) leads to riskier corporate policies: more investment in R&D, less investment in property, plant, and equipment, increased corporate focus, and higher leverage. This evidence supports the view that volatility-based pay incentives encourage managers to invest in riskier assets and adopt more aggressive financial policies.

Requirements:
The goal of this thesis is twofold. First, the student is expected to replicate the main findings of Coles, Daniel, and Naveen (2006). How does vega (as well as delta) influence firms' investment composition (R&D vs. capital expenditures), leverage, diversification, and risk? How does the feedback from these policy choices affect the structure of CEO incentives?

Second, the student should extend the analyses by (i) expanding the sample to include more recent years and (ii) examining whether vega/delta incentives are associated with ESG scores or climate-related risk metrics. This analysis may help assess whether ESG-oriented firms design incentives differently and whether risk-taking incentives are compatible with sustainability goals.

Executive compensation data are available from CRSP ExecuComp. Firm-level accounting data are available from CRSP/Compustat, while stock return data can be obtained from CRSP. These databases are freely accessible to affiliates of the University of Mannheim. ESG data can be sourced from LSEG Datastream (freely accessible via the UB Mannheim) or MSCI (can be provided by the supervisor). We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics.

Introductory Literature:

- Bolton, P., Mehran, H., & Shapiro, J. (2015). Executive compensation and risk taking. Review of Finance, 19(6), 2139-2181.
- Chesney, M., Stromberg, J., Wagner, A. F., & Wolff, V. (2020). Managerial incentives to take asset risk. Journal of Corporate Finance, 65, 101758.
- Coles, J. L., Daniel, N. D., & Naveen, L. (2006). Managerial incentives and risk-taking. Journal of Financial Economics, 79(2), 431-468.
- Core, J. E., Holthausen, R. W., & Larcker, D. F. (1999). Corporate governance, chief executive officer compensation, and firm performance. Journal of Financial Economics, 51(3), 371-406.
- Edmans, A., Gabaix, X., & Jenter, D. (2017). Executive compensation: A survey of theory and evidence. The Handbook of the Economics of Corporate Governance, 1, 383-539.
- Edmans, A., Gosling, T., & Jenter, D. (2023). CEO compensation: Evidence from the field. Journal of Financial Economics, 150(3), 103718.

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TOPIC NR2: Skill vs. Luck: CEO Turnover and Performance Evaluation

Advisor: Larissa Ginzinger

When a company's stock price plummets, the CEO's job is often on the line. But should boards hold CEOs accountable for poor performance caused by market-wide or industry-specific downturns — factors beyond their control? In theory, boards engaging in relative performance evaluation would filter out these external shocks, judging CEOs only on firm-specific performance. In practice, however, evidence suggests that CEOs are often punished for bad luck as well as bad decisions.

In particular. Jenter and Kanaan (2015) investigate whether boards systematically account for market and industry performance when deciding on CEO retention. Using a comprehensive sample of U.S. public firms, they find that both market- and industry-wide downturns significantly increase the likelihood of CEO turnover, even after controlling for firm-specific performance. This result challenges the notion that boards rigorously apply relative performance evaluation, raising questions about the efficiency of corporate governance and the fairness of CEO evaluations.

Requirements:
The goal of this thesis is twofold. First, the student is expected to replicate the main findings of Jenter and Kanaan (2015). How do firm-specific, industry, and market returns influence the probability of CEO turnover? Do boards distinguish between poor performance due to bad luck and that due to managerial skill?

Second, the student should extend the analyses by (i) expanding the sample to include more recent years and (ii) examining whether the strength of relative performance evaluation varies systematically with observable governance characteristics (e.g., board diversity, ownership structure). Are boards with stronger governance structures more likely to filter out market- and industry-wide shocks when assessing CEO performance?

Information on CEOs can be obtained from ExecuComp. Firm-level accounting data are available from CRSP/Compustat, while stock return data can be obtained from CRSP. These databases are freely accessible to affiliates of the University of Mannheim. To classify turnovers into forced and voluntary, the student might rely on the open-source dataset by Gentry, Harrison, Quigley, & Boivie (2021), which provides detailed departure classifications for S&P 1500 firms from 2000 to 2018. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics.

Introductory Literature:

- Gentry, R. J., Harrison, J. S., Quigley, T. J., & Boivie, S. (2021). A database of CEO turnover and dismissal in S&P 1500 firms, 2000–2018. Strategic Management Journal, 42(5), 968-991.
- Gibbons, R., & Murphy, K. J. (1990). Relative performance evaluation for chief executive officers. Industrial and Labor Relations Review, 43(3, Special Issue), 30–51.
- Jenter, D., & Kanaan, F. (2015). CEO turnover and relative performance evaluation. The Journal of Finance, 70(5), 2155–2184.
- Kaplan, S. N., & Minton, B. A. (2012). How has CEO turnover changed?. International Review of Finance, 12(1), 57-87.
- Taylor, L. A. (2010). Why are CEOs rarely fired? Evidence from structural estimation. Journal of Finance, 65(6), 2051–2087.

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TOPIC NR3: Co-Determination and Firm Value in Germany

Advisor: Larissa Ginzinger

Do firms with stronger board-level co-determination create or destroy shareholder value? A study by Gorton and Schmid (2004) finds that German firms with parity co-determination (half of supervisory board seats held by employee representatives) trade at a discount relative to firms with one-third employee representation, when firm value is measured by Tobin's q or market-to-book. Their findings sparked a long-running debate about whether worker board representation alters corporate objectives or efficiency. More recently, Jäger, Schoefer, and Heining (2021) exploit a legal reform in Germany that granted parity board representation to certain firms previously subject to one-third co-determination. They show that stronger worker representation led to higher wages and a reallocation of resources toward employees, with limited effects on investment or profitability — underscoring the broader economic relevance of shared governance. This debate remains highly relevant given ongoing political and public discussions about stakeholder capitalism and worker influence in corporate governance.

Requirements:
The goal of this thesis is twofold. First, the student is expected to replicate the main findings of Gorton and Schmid (2004). Do firms with parity co-determination trade at lower valuations (e.g., Tobin's q, market-to-book) compared to firms with one-third employee board representation? How robust are these results to firm-level controls? Second, the student should extend the analysis by (i) expanding the sample to include more recent years and (ii) exploring whether valuation differences vary systematically across industries.

Board composition as well as firm-level accounting and stock price data for German firms can be obtained from the Aktienführer-Datenarchiv, which provides digitized and structured information from the Hoppenstedt Aktienführer. This database is readily available to affiliates of the University of Mannheim via the UB Mannheim. The Aktienführer dataset may be complemented with financial statement and stock price data from LSEG Datastream and/or Compustat Global. These databases are also freely accessible to affiliates of the University of Mannheim. We recommend that the candidate has at least basic knowledge of a statistical software program (e.g., Stata, R, or Python) and econometrics. Moreover, the candidate should be fluent in German or willing to use translation tools, as the main database is in German.

Introductory Literature:

- Fauver, L., & Fuerst, M. E. (2006). Does good corporate governance include employee representation? Evidence from German corporate boards. Journal of Financial Economics, 82(3), 673-710.
- Gorton, G., & Schmid, F. A. (2004). Capital, labor, and the firm: A study of German codetermination. Journal of the European Economic Association, 2(5), 863–905.
- Jäger, S., Schoefer, B., & Heining, J. (2021). Labor in the boardroom. Quarterly Journal of Economics, 136(2), 669–725.
- Jäger, S., Noy, S., & Schoefer, B. (2022). What does codetermination do?. ILR Review, 75(4), 857-890.
- Harju, J., Jäger, S., & Schoefer, B. (2025). Voice at work. American Economic Journal: Applied Economics, 17(3), 271-309.

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TOPIC NR4: Spousal expectation gaps and household financial decisions

Advisor: Sehrish Usman

Households consist of multiple members, and the interactions between individuals within a family are crucial to understanding household financial decisions. Despite substantial progress in capturing such interactions through collective decision-making models, there is relatively little empirical evidence. The main challenge lies in the limited availability of data on the expectations of individual family members in most household surveys. Recent theoretical and empirical research shows that financial decision-making within households is closely linked to individual beliefs and expectations. Related to this, the literature demonstrates that couples' expectations regarding their personal relationships can influence their saving decisions (Gonzalez and Ozcan, 2013). Changes in the legal framework, such as property division rights, can also distort asset allocation decisions among intact married couples (Voena, 2015). Another strand of literature shows that agreements and disagreements in these expectations affect the allocation of resources within a household. This research indicates that intrahousehold heterogeneity in beliefs goes beyond the gender gap in macroeconomic expectations (e.g., Jacobsen et al., 2014; D'Acunto, Malmendier, and Weber, 2021). Da Ke (2025) provides evidence that substantial intrahousehold disagreement about inflation, economic recessions, and stock market returns among couples significantly influences household asset allocation decisions and portfolio choices.

Requirements:

The goal of this master thesis is to empirically explore whether, and in what ways, differences in spouses' macroeconomic expectations influence their asset allocation decisions. First, the student will conduct a comprehensive literature review on (1) intrahousehold financial decisions (2) within-family interactions and asset allocation decisions (3) partners' expectations and stock market behavior.

Second, the student will replicate the study by Da Ke (2025) using the Health and Retirement Study (HRS) dataset, which is publicly available. After replication, the student will extend the analysis, for instance by enlarging the sample, choosing a different dataset, selecting a different expectation variable, and evaluating its outcome, etc. These are just examples, and the student will be free to choose and pursue his/her own ideas. Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods. Prior experience with household-level survey data is helpful.

Introductory Literature:

- D'Acunto, Francesco, Ulrike Malmendier, and Michael Weber, 2021, Gender roles produce divergent economic expectations, Proceedings of the National Academy of Sciences 118(21), e2008534118.
- Gonzalez, L., & Ozcan, B. (2013). The risk of divorce and household saving behavior. The Journal of Human Resource, 48 (2), 404–434.
- Jacobsen, Ben, John B. Lee,Wessel Marquering, and Cherry Y. Zhang, 2014, Gender differences in optimism and asset allocation, Journal of Economic Behavior & Organization 107, 630–651.
- Ke, D. (2025). Intrahousehold Disagreement about Macroeconomic Expectations. The Journal of Finance, 80(3), 1647–1689.
- Voena, A. (2015). Yours, mine, and ours: Do divorce laws affect the intertemporal behavior of married couples? American Economic Review, 105 (8), 2295–2332.

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TOPIC NR5: Understanding gender gaps in income mobility: a cross-country analysis

Advisor: Sehrish Usman

How and why does income mobility differ across countries, and to what extent do gender roles and social attitudes explain these differences? Upward income mobility shows the ability of individuals to move up the income ladder and often considered as an indicator for equality of opportunity. Many empirical evidences show that income mobility is shaped by parental background and socioeconomic status (Haeck & Laliberté, 2025), but also by institutional and labor market structures. One strand of the literature highlights the role of occupational segregation in reinforcing gender-based disparities in income (Bettio, 2002; Hegewisch & Hartmann, 2014). Goldin (2014) argues that women's concentration in more flexible, lower-paying jobs compared to men's "greedy" high-paying jobs helps explain the persistent gender wage gap. Moreover, geographical variation in opportunities also plays a key role, as documented in the literature on place-based differences in mobility (Chetty et al., 2014). This thesis builds on these insights to explore cross-country differences in income mobility with a focus on gender, and whether such differences can be linked to cultural, institutional, and social factors.

Requirements:
The goal of this thesis is to provide empirical analysis on how income mobility has evolved across countries, with a particular focus on gender differences. By combining macro-level income dynamics with micro-level social attitudes, the student will investigate whether cross-country variations in income mobility can be linked to cultural, institutional, and social factors.
The student will start macro-level analysis on income differences and mobility by gender using Global Repository of Income Dynamics (GRID) - a publicly available dataset. The analysis will focus on selected countries: Denmark, France, Germany, Italy, Norway, Spain, Sweden, Canada, and the United States. The student will specifically examine how age and gender shape income mobility within and across these countries.
In the next step, students will perform a micro-level analysis to complement the macro-level findings, using the International Social Survey Program (ISSP), which provides cross-country survey data on themes such as gender roles, social networks, and attitudes toward government. Multiple waves of ISSP data will be used to investigate whether variations in social attitudes and gender norms can help explain the cross-country differences in income mobility identified in the GRID analysis. Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods. Prior experience with panel and survey data is helpful.

Introductory Literature:

- Bettio, F. (2002). The Pros and Cons of Occupational Gender Segregation in Europe. Canadian Public Policy / Analyse de Politiques, 28, S65–S84. https://doi.org/10.2307/3552344
- Carranza, E., Das, S., & Kotikula, A. (2023). Gender based employment segregation: Understanding causes and policy interventions (Working Paper No. 26). World Bank, Washington, DC.
- Goldin, C. (2014). A grand gender convergence: Its last chapter. American Economic Review, 104(4), 1091–1119.
- Haeck, C. & Laliberté, J.W. (2025). Careers and Intergenerational Income Mobility. American Economic Journal: Applied Economics 17 (1): 431–458. DOI: 10.1257/app.20230403.
- Hegewisch, A., & Hartmann, H. (2014). Occupational segregation and the gender wage gap: A job half done (Scholars' Paper). Institute for Women's Policy Research. U.S. Department of Labor, Women's Bureau.

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TOPIC NR6: Climate shocks and household financial vulnerability

Advisor: Sehrish Usman

Climate change is increasing the frequency and intensity of extreme weather events, particularly heatwaves and heavy precipitation. Europe is the fastest-warming continent, and 2024 was its warmest year on record, marked by widespread floods, storms, and heatwaves (IPCC, 2021; WMO & Copernicus, 2025). These climate extremes significantly affect regional economies by disrupting labor productivity, investment, and population dynamics (Usman et al., 2025). A central question, however, is whether such climate-related physical risks translate into financial vulnerability for households. The literature highlights several well-documented channels through which climate change can affect households, including impacts on labor productivity and income, changes in asset values such as housing, and shifts in household finances and spending. Although the empirical evidence is growing but there is still limited research.

Requirements:

The goal of this seminar is to empirically assess the financial resilience of households to economic costs of climate change. First, the student will conduct a comprehensive literature review on (1) How climate related physical risks can affect the households? (2) What are the various channels other than mentioned above that can pose challenges for people?

Second the student will conduct an empirical analysis to analyze whether the households in disasters prone European regions are financially vulnerable relative to those living in safe regions. Specifically, you will analyze whether the percentage of the household unable to meet unexpected financial expenses increase after a region is affected by a disaster (flood or wildfire etc.). To estimate the affects you will use difference-in-difference method and compare the household living in disaster prone regions to the control group which can be neighbouring regions.

The student will use EMDAT dataset to select the disasters and Eurostat dataset for the household-level variables. Both of these datasets are freely available and immediately accessible. Empirical work for this topic requires the use of statistical software (e.g., Stata), manipulation of data, and the application of econometric methods. Prior experience with datasets is helpful.

Introductory Literature:

- European Economic and Social Committee. (2023). The cost of climate change on households and families in the EU (Catalogue No. QE-04-23-897-EN-N; ISBN 978-92-830-6221-9). Publications Office of the European Union.
- IPCC. (2021). Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press. https://doi.org/10.1017/9781009157896
- WMO & Copernicus. (2025). European State of the Climate 2024. World Meteorological Organization and Copernicus Climate Change Service. Retrieved from https://climate.copernicus.eu
- Usman, S., González-Torres Fernández, G., & Parker, M. (2025). Going NUTS: The regional impact of extreme climate events over the medium term. European Economic Review, 178, 105081.

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TOPIC NR7: Narratives and Belief Updating

Advisor: Lukas Mertes

Narratives have recently gained importance in Economics and Finance research. For example, Morag and Loewenstein (2025) show that the willingness to sell a mug decreases when people associate a story (e.g. how they came to possess it) with the mug rather than thinking of the mug as a list of features (e.g. its color).
To systematically study the role of narratives in (economic) decisions making, one needs to agree on the concept first. Brunner (1990) as well as Pennington and Hastie (1991) provide the following definition: A narrative, or a story, places selected events on a timeline and establishes causal links between them.
Relatedly, Charles and Kendall (2025) find that narratives result in individuals to infer causal relations between variable even if these variables are only correlated, ultimately also affecting the individuals' actions. To understand the heterogeneity of inflation expectations, Andre et al. (2022) survey individuals about the causes of recent inflation and find that narratives differ significantly across individuals. These narratives then also shape the individuals' inflations expectations.

Social psychologists have documented humans' desire for consistency – not only in their actions, but also in their beliefs – as inconsistencies reflect errors in one's belief system (Gawronksi and Brannon, 2019). This raises the question of how the formation of narratives, i.e., the causal story between events, affects individuals' belief formation and belief revision. Do individuals who form narratives – instead of considering only the factual information – behave differently? Are they for example more reluctant to correct their initial beliefs following disconfirming information to be consistent with their narrative? As a consequence, forming (heterogeneous) narratives might contribute to the polarization of beliefs.

Requirements:
The goal of this master thesis is to experimentally examine how learning (i.e., belief updating) depends on whether people form narratives or not when presented with factual information. The student is expected to design and implement an experiment (building on prior work by me). Moreover, the student is expected to conduct the experiment on a sample of colleagues, friends, and family.
The implementation of the experiment requires the use of appropriate software and programming languages (e.g. oTree (Python-based), SoSciSurvey (PHP-based)), which are freely available and well-documented. The analysis requires the use of statistical software (e.g. Stata) and the application of basic econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Andre, P., Haaland, I., Roth, C., and Wohlfahrt, J., 2023. Narratives About the Macroeconomy. Available on SSRN.
- Charles, C., and Kendall, C., 2025. Causal Narratives. Available on SSRN.
- Morag, D., and Loewenstein, G., 2025. Narratives and Valuations. Management Science 71, 6, 4533-5418.

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TOPIC NR8: Market Conditions and Belief Updating

Advisor: Lukas Mertes

Standard economic theory assumes decreasing marginal utility, i.e., that individuals' marginal utility of an additional unit of consumption is decreasing with the overall consumption level. Applied to asset prices, it is assumed that high returns are particularly valuable when the overall consumption level, i.e., the general return-level, is low and vice versa (see for example Cochrane, 2005).
Research by Kieren et al. (2023) documents experimentally that also learning differs between boom and bust markets. In the experiment, subjects must learn whether an asset pays dividends from either a good or a bad distribution. In a between-subject design, the authors only vary the frame of the learning environment to be representative of a boom market (boom treatment) or a bust market (bust treatment) without changing the underlying probability distribution from which the dividends are drawn. After the learning task subjects face an unrelated investment decision by investing in either a risky or ambiguous lottery (which also varies between subject). The paper's key findings are that subjects who learn in a bust market environment subsequently invest significantly less in the ambiguous lottery, but there are no differences on subjects' investments in the risky lottery indicating stable risk preferences. Moreover, individuals' subjective beliefs in the bust treatment are significantly more pessimistic than the beliefs of individuals in the boom treatment. This is mainly driven by subjects in the bust treatment placing more weight on low outcomes and taking more time to recover from temporary negative shocks. The authors conclude that there is an asymmetry in learning behaviour between boom and bust markets.

Recent evidence by Schreindorfer and Sichert (2025) shows that negative returns are significantly more painful to investors in low-volatility periods rather than in high-volatility periods. Transferring this observation to the domain of learning, a related question is how such market conditions affect learning and belief updating. Is the same information incorporated differently in a low- vs. high-volatility period?

Requirements:
The goal of this master thesis is to experimentally examine how learning differs across market conditions, specifically between low- vs. high-volatility markets. The student is expected to design and implement an experiment in the spirit of Kieren et al. (2023). Moreover, the student is expected to conduct the experiment on a sample of colleagues, friends, and family.
The implementation of the experiment requires the use of appropriate software and programming languages (e.g. oTree (Python-based), SoSciSurvey (PHP-based)), which are freely available and well-documented. The analysis requires the use of statistical software (e.g. Stata) and the application of basic econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Cochrane, J. H., 2005. Asset Pricing. Princeton University Press.
- Schreindorfer, D., and Sichert, T., 2025. Conditional Risk and the Pricing Kernel. Journal of Financial Economics, 171, 1-48.
- Kieren, P., Müller-Dethard, J. and Weber, M., 2023. Risk-Taking and Asymmetric Learning in Boom and Bust Markets. Review of Finance, 27, 1743–1779.

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TOPIC NR9: Downside Risk

Advisor: Lukas Mertes

Standard economic theory assumes decreasing marginal utility, i.e., that individuals' marginal utility of an additional unit of consumption is decreasing with the overall consumption level. Applied to asset prices, it is assumed that high returns are particularly valuable when the overall consumption level, i.e. the general return-level, is low and vice versa (see for example Cochrane, 2005).
Ang et al. (2006) provide related empirical evidence. They find that stocks that covary strongly with the market during market declines have higher average returns. In other words, investors demand higher average returns for stocks that provide low returns when the overall consumption level is low.
In particular, Ang et al. (2006) sort portfolios based on downside risk measured by their downside beta – how strongly the stock covaries with market when the market provides lower than average returns – while controlling for the general co-movement with the market. While they find that higher market betas are associated with higher returns as prescribed by the CAPM, they also find that stocks with high downside betas earn significantly higher returns than stocks with low downside betas. This is at odds with the CAPM according to which the cross-section of stock returns is solely explained by the market. In subsequent tests the authors show that the downside premium cannot be explained by other factors known to drive returns like Size, Value, and Momentum.

Recent evidence by Schreindorfer and Sichert (2025) shows that negative returns are significantly more painful to investors in low-volatility periods rather than in high-volatility periods. This raises the question of how market volatility affects return expectations. Do investors demand higher average returns for assets that covary strongly with the market during market declines that are characterized by low rather than high volatility?

Requirements:
The goal of this master thesis is to empirically examine the reward for the downside risk of stocks. The student is expected to broadly replicate the main findings (Table 1-3) of Ang et al. (2006). Moreover, the student is expected to extend the time horizon to examine whether the reward of downside risk has changed over time. Finally, the student is expected to assess the influence of low- vs. high-volatility market periods on the compensation of downside risk.
The empirical work requires the use of individual stock as well as factor returns. Data is available at WRDS and Kenneth French's website (https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html). Empirical work on this topic requires the use of statistical software (e.g. Stata), manipulation of data, and the application of econometric methods. Prior experience in this area is helpful.

Introductory Literature:

- Ang, A., Chen, J., and Xing, Y., 2006. Downside Risk. Review of Financial Studies, 19 (4), 1191-1239.
- Cochrane, J. H., 2005. Asset Pricing. Princeton University Press.
- Schreindorfer, D., and Sichert, T., 2025. Conditional Risk and the Pricing Kernel. Journal of Financial Economics, 171, 1-48