Chair of International Finance
Prof. Dr. Stefan Ruenzi

University of Mannheim · Business School · Chair of International Finance · 68161 Mannheim

Prof. Dr. Stefan Ruenzi
L9, 1-2
68161 Mannheim
Germany

https://www.bwl.uni-mannheim.de/ruenzi/

Master's Theses, HWS 2025

Topic R1: Do dividends convey information about future earnings?
Advisor: Alexandros Pierides

Topic R2: The Relation between Investor Regret and Stock Return
Advisor: Qi Zhang

Topic R3: The Influence of Noise Trading on Asset Pricing Factors
Advisor: Qi Zhang

Topic R4: The timing of returns around the publication of anomaly trading signals
Advisor: Paul Seidel

Topic R5: Monetary Momentum: From hero to zero?
Advisor: Paul Seidel

Requirements:

All topics offered require empirical, statistical analyses and the use of large databases. The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable with the use of a statistical software program (such as STATA) and econometric methods.

Topic R1: Do dividends convey information about future earnings?

Classification: Empirical Topic

Advisor: Alexandros Pierides

Dividends have long been thought to convey information about firms' prospects, especially earnings. Yet the extent to which dividend changes truly signal future earnings remains an open question. In their influential paper, Ham et al. (2020) revisit this issue using a comprehensive sample of U.S. firms and modern empirical methods, asking whether dividend changes contain predictive power for future earnings.

The authors find that dividend changes are followed by persistent changes in future earnings. This pattern suggests that dividend changes communicate real and lasting shifts in firms' cash flow expectations, rather than reflecting short-term surprises or private managerial signals. Their findings challenge traditional asymmetric information signaling models and support a more fundamental interpretation of dividend policy.

First, the student is expected to broadly replicate the main results of Ham et al. (2020). Are dividend changes followed by persistent earnings level shifts? Second, the student should extend the analysis to more recent years and assess whether the predictive content of dividends has changed over time. Third, the student could examine whether the relationship between dividend changes and future earnings varies across firm characteristics, such as size, profitability, or ownership structure.

Requirements:

The empirical work requires the use of large databases, e.g., Compustat/CRSP. The databases are readily accessible to affiliates of the University of Mannheim. The candidate should feel comfortable with the use of a statistical software program (such as STATA) and econometric methods.

Introductory Literature:

- Ham, C., Leary, M. T., & Michaely, R. (2020). Do Dividends Convey Information About Future Earnings? Journal of Financial Economics, 137(3), 473–501.
- Miller, M. H., & Rock, K. (1985). Dividend Policy under Asymmetric Information. Journal of Finance, 40(4), 1031–1051.
- DeAngelo, H., DeAngelo, L., & Skinner, D. J. (1996). Reversal of Fortune: Dividend Signaling and the Disappearance of Sustained Earnings Growth. Journal of Financial Economics, 40(3), 341–371.
- Fama, E. F., & French, K. R. (2001). Disappearing Dividends: Changing Firm Characteristics or Lower Propensity to Pay? Journal of Financial Economics, 60(1), 3–43.
- Brav, A., Graham, J. R., Harvey, C. R., & Michaely, R. (2005). Payout Policy in the 21st Century. Journal of Financial Economics, 77(3), 483–527.

Topic R2: The Relation between Investor Regret and Stock Returns

Classification: Empirical Topic

Advisor: Qi Zhang

The experience of regret is a widely encountered phenomenon among investors in financial markets. Investors experience regrets due to not achieving the highest possible return from a similar set of stock investments, and regret can in turn affect their investment decisions. However, it is not an easy task to measure investors' regret in financial markets.

In a recent study, Arisoy et al. (2024) propose a measure of regret for stock market investors and investigate its cross-sectional asset pricing implications. They show that regret is positively related to the cross-section of future equity returns. Equity portfolios with high regret generate 6.84% more annualized alpha than portfolios with low regret. They also show that regret is not spanned by established risk or behavioral factors.

The aim of this thesis is as follows: first, the student is expected to broadly replicate the main results of Arisoy et al. (2024). Is there a positive relation between investor regret and stock return? Second, the student could check the robustness of the link between investor regret and stock return by calculating regret index using household trading data. Third, the student could extend the analysis to cover more recent years.

Requirements:

The empirical work requires the use of large databases, e.g., CRSP/IBES. The databases are readily accessible to affiliates of the University of Mannheim. The candidate should feel comfortable with the use of a statistical software program (such as STATA) and econometric methods.

Introductory Literature:

- Arisoy, Y. E., Bali, T. G., & Tang, Y. (2024). Investor regret and stock returns. *Management Science*, *70*(11), 7537-7558.
- Fogel, S. O. C., & Berry, T. (2006). The disposition effect and individual investor decisions: the roles of regret and counterfactual alternatives. *The journal of behavioral finance*, *7*(2), 107-116.
- Frydman, C., & Camerer, C. (2016). Neural evidence of regret and its implications for investor behavior. *The Review of Financial Studies*, *29*(11), 3108-3139.

Topic R3: The Influence of Noise Trading on Asset Pricing Factors

Classification: Empirical Topic

Advisor: Qi Zhang

The asset pricing literature has discovered many asset pricing factors that explain cross-sectional variations in stock returns over the past few decades. However, there is debate regarding the source and variations of these factors. Some argue that asset pricing factors reflect compensation for bearing fundamental economic risk, whereas others argue that asset pricing factors stem from systematic mispricing.

In a recent study, Huang et al. (2024) show that a broad set of asset pricing factors are exposed to noise trader risk, where noise trader risk arises from uninformed demand shifts of mutual fund investors. They find that the flow-driven noise trader risk is significantly pried in factor premia, and the expected variation of flow-induced noise trading strongly forecasts variance of factor returns. More importantly, they find that arbitrageurs and other investors require higher premia to trade factors when the flow-driven noise trader risk is expected to be more important.

The aim of this thesis is as follows: first, the student is expected to broadly replicate the main results of Huang et al. (2024). Are asset pricing factors exposed to noise trader risk? Second, the student could check if anomalies are also exposed to noise trader risk. Third, the student could extend the analysis to cover more recent years.

Requirements:

The empirical work requires the use of large databases, e.g., CRSP. The databases are readily accessible to affiliates of the University of Mannheim. The candidate should feel comfortable with the use of a statistical software program (such as STATA) and econometric methods.

Introductory Literature:

- Arnott, R. D., Kalesnik, V., & Linnainmaa, J. T. (2023). Factor momentum. *The Review of Financial Studies*, *36*(8), 3034-3070.
- Huang, S., Song, Y., & Xiang, H. (2024). Noise trading and asset pricing factors. *Management Science*.

Topic R4: The timing of returns around the publication of anomaly trading signals

Classification: Empirical topic

Advisor: Paul Seidel

Recent research by Bowles et al. (2024) highlights that academic studies often form portfolios at fixed annual dates (e.g., every June) and therefore rely on stale information. They show that many accounting-based anomalies actually yield *higher* and *more concentrated* abnormal returns in the *immediate* weeks following the precise release of relevant firm information (e.g., 10-K filings). The findings suggest that we systematically underestimate anomaly returns if we ignore the real-time arrival of public financial data.

The goal of this thesis is two-fold. First, the student should broadly replicate the main findings of Bowles et al. (2024). Do accounting anomalies generate abnormally high returns soon after new financial information is released? Are these returns substantially weaker if portfolios are formed at a delayed annual date (à la Fama and French)? This includes the self-construction of a selected set of market anomalies using standard Fama and French procedures, obtaining and incorporating point in time data and developing a framework for rebalancing. Second, the student might extend the analysis by incorporating (1) other accounting anomalies or (2) selected non-accounting anomalies to test whether the same time-concentration of returns holds for these strategies. An extension may involve measuring transaction costs when portfolios are updated frequently.

Requirements: The empirical work requires the use of large databases (e.g., CRSP, Compustat, EDGAR). These databases are readily accessible to affiliates of the University of Mannheim. The candidate should feel comfortable using a statistical software program (such as Python or STATA) and econometric methods.

Introductory Literature:

- Bowles, B., Reed, A. V., Ringgenberg, M. C., & Thornock, J. R. (2024). Anomaly Time. The Journal of Finance, 79(5), 3543–3580.
- Fama, E. F., & French, K. R. (1992). The cross-section of expected stock returns. The Journal of Finance, 47(2), 427–465.
- McLean, R. D., & Pontiff, J. (2016). Does academic research destroy stock return predictability? The Journal of Finance, 71(1), 5–32.
- Chen, A. Y., & Zimmermann, T. (2020). Publication bias and the cross-section of stock returns. Review of Asset Pricing Studies, 10(2), 249–289.

Topic R5: Monetary Momentum: From hero to zero (shocks)?

Classification: Empirical topic

Advisor: Paul Seidel

Monetary policy surprises have long been recognized as drivers of financial market dynamics. Recent research, such as Neuhierl and Weber (2024), identifies a striking pattern of return drift, termed "monetary momentum", surrounding Federal Open Market Committee (FOMC) announcements. These findings show that U.S. equity returns exhibit upward drift prior to expansionary monetary surprises and downward drift before contractionary surprises, with continued adjustment in the days following the announcements.

While these results are compelling, the broader implications remain underexplored. My own research has shown that that this drift is rather driven by zero-shocks than by expansionary shocks as stated by Neuhierl and Weber (2024). However, this is puzzling as we usually do not expect larger positive return drifts after expected events. However, the reasons for this development have not yet been fully researched.

The goal of this thesis is as follows: First, the student will replicate the findings of Neuhierl and Weber (2024) by focusing on FOMC monetary momentum. This will involve calculating monetary surprises using federal funds futures and analyzing equity return patterns around these announcements. Second, the study will investigate zero-shocks and their implications on the documented pattern. Third, the thesis aims to examine various explanations of this monetary momentum drift.

Requirements: The empirical work requires the use of data, which is readily accessible by the University of Mannheim or can be found online. The candidate should feel comfortable using a statistical software program (such as Python or STATA) and econometric methods.

Introductory Literature:

- Ehrmann, M., & Fratzscher, M. (2006). Global Financial Transmission of Monetary Policy Shocks. Oxford Bulletin of Economics and Statistics, 68(4), 307-341.
- Bernanke, B. S., & Kuttner, K. N. (2005). What Explains the Stock Market's Reaction to Federal Reserve Policy? The Journal of Finance, 60(3), 1221–1257.
- Neuhierl, A., & Weber, M. (2024). Monetary Momentum. Working Paper, SSRN.