UNIVERSITY OF MANNHEIM
Business School

CHAIR OF FINANCIAL MARKETS AND FINANCIAL INSTITUTIONS

Seminar Thesis Spring 2026

AACSB ACCREDITED · EFMD EQUIS ACCREDITED · ASSOCIATION OF MBAS ACCREDITED

Topic S1: The Making of Financial Regulations: Evidence from a Large Language Model

Classification: Empirical Topic (Excel + ChatGPT)

Advisor: Sabrina Yufang Sun

Financial regulations aim to safeguard the integrity, stability, and fairness of financial markets while protecting investors and consumers, preventing financial crime, and promoting sound corporate governance and market efficiency. It is crucial to understand how financial regulations are made, as it provides insight into how policies are formulated, enabling stakeholders to anticipate changes, navigate compliance, and advocate for effective governance within the financial system.

Leveraging ChatGPT as an analysis tool, the current project investigates the making of financial regulations in the contemporary context. For example, who are the key players in making the financial regulations? How do these players interact to shape the regulation from initial proposal to final implementation?

Specifically, the student will:

(1) Use Excel and ChatGPT to analyze a textual database on US financial regulations.
(2) Derive insights into the key players and how they interact to shape the regulatory landscape for US financial markets.

Data and Requirements:

The project provides a great opportunity for students to acquire or upgrade their skills of using large language models to analyze finance-related textual data. All data analyses in this project will be conducted using Excel ChatGPT. Hence, the student does not need to learn another statistical tool.

The student should have Microsoft-Excel installed on their computer and have prior experience in using Excel. Prior experience with ChatGPT is not required, but can be an advantage. The advisor will give step-by-step tutorials on how to efficiently use ChatGPT to analyze textual data and visualize insights from textual data. The student is expected to follow instructions closely and be highly motivated to learn new concepts and tools related to large language model.

Introductory Literature:

Labonte, M. (2017). Who Regulates Whom: An Overview of the US Financial Regulatory Framework.

Morris, S., & Shin, H. S. (2008). Financial regulation in a system context. Brookings papers on economic activity, 2008(2), 229-274.

Posner, E., & Weyl, E. G. (2013). Benefit-cost analysis for financial regulation. American Economic Review, 103(3), 393-397.

Topic S2: The Political Playbook of Corporate Giants: How US Corporations Change the Rules of Financial Markets

Classification: Empirical Topic (ChatGPT + Python)

Advisor: Sabrina Yufang Sun

In today's world, corporate power doesn't just shape markets through its transactions —it shapes the rules of the game. Leveraging ChatGPT as an analysis tool, this thesis explores how major U.S. corporations seek to influence financial regulation through the Securities and Exchange Commission (SEC), the key watchdog of Wall Street. From comment letters to behind-the-scenes meetings, companies use a range of tactics to push their interests. Understanding these strategies offers a fascinating look into the intersection of politics, business, and law. For students interested in finance, policy, or corporate strategy, this topic opens a window into how real-world decisions are made—and who truly holds the power to make them.

Specifically, the student will

(1) Use ChatGPT to analyze the communication records between large US corporations to the SEC – the US financial regulator.
(2) Use a Python script to analyze the impact of these communications on stock market outcomes of these corporations.

Data and Requirements:

The project provides a great opportunity for students to learn Python as a beginner and to acquire or upgrade their skills of using large language models like ChatGPT on finance-related textual data. All textual data necessary for the project will be provided by the advisor.

ChatGPT and Python beginners are welcome! Prior experience with ChatGPT and Python are not necessary, but can be an advantage. The advisor will provide step-by-step tutorials on using ChatGPT and example Python script for the analysis. The student is expected to follow instructions closely and be highly motivated to learn new concepts and tools.

Introductory Literature:

Bertrand, M., Bombardini, M., Fisman, R., Hackinen, B., & Trebbi, F. (2021). Hall of mirrors: Corporate philanthropy and strategic advocacy. *The Quarterly Journal of Economics, 136*(4), 2413-2465.

Bertrand, M., Bombardini, M., Fisman, R., & Trebbi, F. (2020). Tax-exempt lobbying: Corporate philanthropy as a tool for political influence. *American Economic Review, 110*(7), 2065-2102.

DeHaan, E., Kedia, S., Koh, K., & Rajgopal, S. (2015). The revolving door and the SEC's enforcement outcomes: Initial evidence from civil litigation. *Journal of Accounting and Economics*, *60*(2-3), 65-96.

Topic S3: Market Frictions, Price Delay, and the Cross-Section of Expected Returns

Classification: Empirical Topic

Advisor: Anabelle Bröstl

Understanding market frictions, and appropriately quantifying them, is central to the debate on whether stock markets are efficient. While traditional models assume frictionless markets, real-world trading is affected by information asymmetries, liquidity constraints and limited investor attention.

Hou and Moskowitz (2005) develop a measure of price delay to capture market frictions and examine how delayed stock price responses to information relate to expected returns. They show that firms with high price delay, i.e., stocks whose prices incorporate new information more slowly, earn significantly higher expected returns even after controlling for known risk factors. Their findings suggest that frictions linked to limited information diffusion may explain part of the cross-sectional variation in returns.

The goal of this thesis is to summarize the literature on the relationship between market frictions and expected returns and to replicate the core empirical findings of Hou and Moskowitz (2005). As an extension, the student could use data on more recent time periods to investigate whether the delay premium persists nowadays, and use other measures of price delay (e.g., from Bris et al. 2007).

Requirements:

The thesis requires the use of large financial databases as well as a statistical software package (Stata, R, or Python).

Introductory Literature:

Bris, A., Goetzmann, W. N., & Zhu, N. (2007). Efficiency and the bear: Short sales and markets around the world. *The Journal of Finance*, 62(3), 1029-1079.

Hou, K., & Moskowitz, T. J. (2005). Market frictions, price delay, and the cross-section of expected returns. *The Review of Financial Studies*, *18*(3), 981-1020.

Topic S4: The Disutility of Stock Market Losses: Evidence From Domestic Violence

Classification: Empirical topic

Advisor: Yue Wu

The prospect theory of Kahneman and Tversky (1979) is widely used in explaining the asymmetric utility from stock returns. However, the empirical findings for the asymmetric utility of gains and losses come mostly from experimental settings, with limited real-world evidence.

Lin and Pursianian (2023) study the asymmetric relationship between stock market gains and losses and the incidence of domestic violence, using rich US domestic crime data provided by the National Incident Based Reporting System (NIBRS). The incidence of domestic violence increases with the magnitude of losses, and negative wealth shocks caused by stock market crashes can affect stress levels within intimate relationships, escalate arguments, and trigger domestic violence.

Main Tasks:

1. Provide a comprehensive literature review on the relationship between financial/economic outcomes and crimes.
2. Replicate the main result of the paper.
3. Extend the model by including the most recent data: is the relationship between stock market returns and domestic violence still stand? Discuss when there is an obvious crisis (such as COVID19), how to identify the confounding factors and estimate the return-crime relationship?

Data:

The databases are readily accessible for affiliates of the University of Mannheim. The NIBRS data can be downloaded by year at https://cde.ucr.cjis.gov/LATEST/webapp/#, or accessed via API (see the instructions at https://bjs.ojp.gov/national-incident-based-reporting-system-nibrs-national-estimates-api?utm_source=chatgpt.com#1-0). This is a very data-intensive project: before you decide to choose this topic, please search through the NIBRS website to estimate the workload and evaluate whether you are able to handle a dataset at this size. The thesis require the use of a statistics/programming software; Stata or Python is recommended, but you are free to use others.

Introductory Literature:

Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. Econometrica, 47(2), pp. 263–291.

Lin, T.C. and Pursiainen, V., 2023. The disutility of stock market losses: Evidence from domestic violence. *The Review of Financial Studies*, *36*(4), pp.1703-1736.

Topic S5: Investor Sentiment and Anomalies

Classification: Empirical topic

Advisor: Yue Wu

Whether investor sentiment affects stock prices is a long-standing question in finance. The classic argument against sentiment effects is that they will be eliminated by rational traders who can spot the mispricing and gain profits from it. However, in real financial markets, there exist conditions that prevent rational traders from fully utilizing the profit opportunities created by mispricing. Stambaugh et al. (2012) state that impediments to short selling could limit the ability of rational traders, and when the market-wide investor sentiment is high, the short leg of the long-short portfolios should generate lower returns as this short leg is more overpriced than the long leg because it is not fully short sold.

Using the market-wide investor sentiment index constructed by Baker and Wurgler (2006), the paper shows that 11 anomalies are stronger following high sentiment, investor sentiment is negatively related to returns on the short leg of the portfolios, and investor sentiment does not greatly affect the returns on the long leg of the portfolios.

The project is expected to help students understand how market-wide investor sentiment impacts the stock returns. It is also a useful practice to explore asset anomalies using the FF3 model from Fama and French (1993).

Main Tasks:

1. Provide a comprehensive literature review on investment sentiment and asset pricing anomalies, and how the two interact.
2. Out of the 11 anomalies, pick 4-5 and replicate the main results of the paper.
3. Extend the regression models by including the most recent data: do you still observe a similar pattern as in the paper? Interpret your findings with more recent data.

Data:

The databases are readily accessible for affiliates of the University of Mannheim. You will use CRSP and Compustat from WRDS for financial data. The investor sentiment data is available on one of the authors' website.

Introductory Literature:

Baker, M. and Wurgler, J., 2006. Investor sentiment and the cross-section of stock returns. *The journal of Finance*, *61*(4), pp.1645-1680.

Fama, E.F. and French, K.R., 1993. Common risk factors in the returns on stocks and bonds. *Journal of financial economics*, 33(1), pp.3-56.

Stambaugh, R.F., Yu, J. and Yuan, Y., 2012. The short of it: Investor sentiment and anomalies. *Journal of financial economics*, 104(2), pp.288-302.

<u>Topic S6: Predicting Anomalies</u>

Classification: Empirical topic

Advisor: Paul Seidel

A central question in modern asset pricing is whether documented return predictability reflects genuine mispricing, risk compensation, or artifacts of the research process. Traditional anomaly tests focus on post-publication or post-announcement returns, implicitly assuming that trading signals only become exploitable once the underlying accounting information is released. Bowles, Reed, Ringgenberg, and Thornock (2025) challenge this view by showing that both anomaly returns and the anomaly signals themselves are predictable before the associated financial statements are published. Using point-in-time accounting data, they document that (i) an investor with perfect foresight about annual anomaly signals earns sizable abnormal returns in the months before information releases, and (ii) simple forecasting rules – in particular a martingale model that assumes persistence of anomaly rankings from Q3 to Q4 – can already capture a substantial share of these pre-announcement returns. Their evidence implies that many accounting-based anomalies are more "anomalous" than previously thought, because the inputs to standard anomaly strategies are themselves predictable based on earlier public information.

The goal of this seminar paper is to carefully summarize the literature on anomaly timing and predictability, and to replicate the core empirical results of Bowles et al. (2025). This includes reconstructing the 28 accounting-based anomalies that are tied to discrete information release dates, implementing their event-time portfolio tests around annual information releases, and reproducing the comparison between perfect-foresight trading and implementable prediction models (autoregressive specifications, martingale model, and machine-learning classifier). As an extension, the student may (i) examine whether the pre-announcement return patterns differ across anomaly categories (e.g., highly vs. weakly persistent signals), (ii) explore the time-series evolution of predictability and arbitrage activity across sub-periods, or (iii) test alternative forecasting schemes (e.g., different horizon, alternative ranking schemes, or simplified models that could plausibly be used by real-world investors).

Data:

The empirical analysis relies on standard U.S. equity and accounting databases. These data are either available through commonly used online data providers/replication packages or will be provided by the supervisor.

The seminar paper requires working with large financial databases and a statistical software package (e.g. Stata or Python).

Introductory Literature:

Bowles, B., Reed, A. V., Ringgenberg, M. C., & Thornock, J. R. (2025). Predicting anomalies. Working paper.

Bowles, B., Reed, A. V., Ringgenberg, M. C., & Thornock, J. R. (2024). Anomaly time. The Journal of Finance, 79(5), 3543–3579.