Master Thesis Topics HWS 2025

Chair of Finance – Prof. Dr. Erik Theissen

UNIVERSITY OF MANNHEIM
Business School

AACSB ACCREDITED · EFMD EQUIS ACCREDITED · ASSOCIATION OF MBAS ACCREDITED

Chair of Finance

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- **Address:**
  - L 9, 1-2
  - Secretary: third floor (“3. OG“)
  - Assistants: second and fourth floor
- **Office hours:**
  - By appointment
  - General questions: please visit our homepage first
  - Questions about specific topics: please feel free to contact the respective supervisor
- **Research at the Chair of Finance**

a) Market Microstructure

b) Empirical Asset Pricing

c) Blockchain & Cryptocurrency

Topic Allocation

- **Prerequisite:** You must have successfully completed one seminar of the area "Banking, Finance, and Insurance" (Prof. Maug, Prof. Niessen-Ruenzi, Prof. Ruenzi, Prof. Spalt, Prof. Theissen).

- The assignment of topics is carried out jointly by the finance area.

- Assignment to the topics will be based on your priority list and the grade in the respective seminar.

Time Schedule

- **Application period:** Friday, 05.09.2025 – Monday, 15.09.2025
- **Topics Allocation Announcement:** Thursday, 18.09.2025
- **Registration Period:** Thursday, 18.09.2025 – Thursday, 25.09.2025
- **Starting Date:** Thursday, 18.09.2025
- **Colloquium:** Friday, 28.11.2025 **(in-person)**
- **Submission Deadline:** Thursday, 05.02.2026

Guide to Scientific Writing

- **An information sheet on writing a seminar paper or a master thesis is provided on our website.**

- **Most important rules:**
  - Your thesis should be 45 pages (+/- 10%).
  - 50 pages is the absolute maximum.
  - Tables and figures have to be included in the text (and count towards the page restriction).
  - Only supplementary material that is not needed to read and understand the thesis may be collected in an appendix.
  - Please only include literature that is either in English or German.

Important Remarks

- **Plagiarism policy:**
  - Your master thesis will be analyzed by plagiarism detection software (Turnitin).
  - Our chair has a **zero-tolerance policy** regarding plagiarism.
  - Students who submit plagiarized work will be graded with 5.0.

- **Language quality:**
  - Grading of your master thesis takes also into account the language quality.
  - Linguistic shortcomings negatively impact your final grade.
  - The master thesis can be either written in English or German.

FAQ

- **Some topics look more difficult than others. Why should I choose a rather difficult topic?**

  We take the difficulty of the topic into account when grading your thesis.

- **Can I do an internship during the writing process?**

  We generally advise against doing an internship during the writing process.

- **My computer crashed and I lost all my progress on the thesis. Can I get an extension of the deadline?**

  No, you are responsible to make enough backups of your work.

- **Can I submit earlier?**

  Yes.

Master Thesis Topics

- If you have any questions regarding one of the topics before applying for topics, please feel free to contact the respective supervisor!
- You can find contact information for each supervisor on the website of the Chair of Finance

https://www.bwl.uni-mannheim.de/en/theissen/team/

T1. Decomposing the Size Effect

Erik Theissen

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Topic Description

- The size effect, well known since the 1980s, is the observations that firms with high market capitalization (market value of equity) have lower returns.
- The market value of a firm's equity is the number of shares outstanding multiplied by the share price. This raises the question which of these components contribute how much to the size effect.
- The task of this Master thesis is to a) provide a brief review of the size effect and to b) perform an empirical analysis (using U.S. data) to uncover the relative importance of share price and number of shares outstanding for the size effect.

Requirements:

The candidate should feel comfortable in the use of appropriate software (such as STATA or Python) and econometric methods, and should be able to handle large data sets.

Starting References

- Alquist, R., R. Israel and T. Moskowitz (2018): Fact, Fiction and the Size Effect. Journal of Portfolio Management Fall 2018, 3-30.
  Downloadable at: https://www.aqr.com/Insights/Research/Journal-Article/Fact-Fiction-and-the-Size-Effect
- Ball, R., J. Gerakos, J. Linnainmaa and V. Nikolaev (2020): Earnings, Retained Earnings, and Book-to-Market in the Cross-Section of Expected Returns. Jour-nal of Financial Economics135, 231-154.

T2. Salience Effect Across Market Conditions

Büşra Eroğlu

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Topic Description

- Limited attention is a necessary consequence of the enormous amount of information we are exposed. As a result, we allocate our attention among the available information set and select some pieces that draw our attention. >> Attention-driven trading: Investors tend to buy attention-grabbing stocks (news, abnormal trade activity, and extreme returns). (Barber and Odean, 2008)
- Salience Theory posits that the most distinct option within a set of alternatives captures attention, leading to an overweight on this salient outcome compared to its objective probability (Bordalo, Gennaioli, and Shleifer, 2012). >> In the context of the financial market, asset returns that deviate significantly from the average market return are referred to as salient.
- The theory argues that investors are drawn to stocks with salient upsides that are overvalued during the good times of the economy, while they tend to focus more on downside salient stocks that are undervalued during economic downturns. Since most assets are not sufficiently right-skewed, this leads to a general market undervaluation.
- The aim of this thesis is to investigate how the salience effect varies across different market conditions and to empirically test the theory.

Requirements

The empirical work requires the use of large databases (i.e. CRSP, Datastream). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of a statistical software program (i.e. STATA, R) and econometric methods.

T2. Salience Effect Across Market Conditions

Büşra Eroğlu

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Starting References

Theoretical

- Bordalo, P., N. Gennaioli, & A. Shleifer, 2012, Salience theory of choice under risk, Quarterly Journal of Economics 127, 1243-1285.
- Bordalo, P., N. Gennaioli, & A. Shleifer, 2013, Salience and asset prices, American Economic Review: Papers & Proceedings 103, 623-628.

Empirical

- Cakici, N. & A. Zaremba, 2021, Salience theory and the cross-section of stock returns: International and further evidence, Journal of Financial Economics, 146, 689-725.
- Chen, R., Lepori, G. M., Tai, C. C., & Sung, M. C., 2022, Can salience theory explain investor behaviour? Real-world evidence from the cryptocurrency market, International Review of Financial Analysis 84, 102419.
- Cosemans, M., & R. Frehen, 2021, Salience theory and stock prices: empirical evidence, Journal of Financial Economics 140(2), 460-483.
- Hu, S., Xiang, C., & Quan, X., 2023, Salience theory and mutual fund flows: Empirical evidence from China, Emerging Markets Review 54.

For further questions, e-mail me at busra.eroglu@uni-mannheim.de

T3. Dynamic Horizon-Strategy Alignment in Mutual Funds

Hongting Jiang

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Topic Description

- Mutual fund investors exhibit dramatic variation in holding periods—from high-frequency traders who flip trading within weeks to retirement savers who stay invested for decades. This heterogeneity in investor patience fundamentally shapes what investment strategies are viable: a manager whose investors flee after one bad quarter cannot pursue the same opportunities as one whose investors commit for years, even if both have identical skill and resources. However, we know surprisingly little about whether fund managers adjust their investment strategies in response to these differences in investor patience, beyond simple liquidity management and cash allocation decisions.
- This thesis investigates whether managers dynamically match portfolio characteristics to investor holding periods, using new share class introductions as discrete changes to investor composition. When funds introduce retirement shares and average holding periods jump from 6 months to 3 years, managers gain freedom to pursue longer-horizon opportunities. Conversely, when day-trading platforms bring impatient capital, managers may switch toward momentum strategies with quicker, stable payoffs.
- Using flows data from regulatory filings (N-PORT/N-SAR), the thesis will first estimate investor holding periods, then examine how shifts triggered by new share classes drive portfolio adjustments. The analysis will track changes such as portfolio concentration, small/large-cap allocation, stock turnover rates, and trading behavior around corporate events. As an extension, the thesis will test whether funds that successfully align investment horizons with investor patience generate superior risk-adjusted returns and experience more stable flows. This thesis aims to reveal a hidden dimension of portfolio management: beyond stock selection skill, the alignment between investment strategy and investor patience may be equally crucial for fund success.

Requirements

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

Starting References

- Atkins, Allen B., and Edward A. Dyl. "Transactions costs and holding periods for common stocks." The Journal of Finance 52, no. 1 (1997): 309-325.
- Cremers, Martijn, and Ankur Pareek. "Patient capital outperformance: The investment skill of high active share managers who trade infrequently." Journal of Financial Economics 122, no. 2 (2016): 288-306.
- Edelen, Roger M. "Investor flows and the assessed performance of open-end mutual funds." Journal of Financial Economics 53, no. 3 (1999): 439-466.
- Greene, Jason T., Charles W. Hodges, and David A. Rakowski. "Daily mutual fund flows and redemption policies." Journal of Banking & Finance 31, no. 12 (2007): 3822-3842.
- Lan, Chunhua, Fabio Moneta, and Russ Wermers. "Holding horizon: a new measure of active investment management." Journal of Financial and Quantitative Analysis 59, no. 4 (2024): 1471-1515.
- Morris, Stephen, Ilhyock Shim, and Hyun Song Shin. "Redemption risk and cash hoarding by asset managers." Journal of Monetary Economics 89 (2017): 71-87.
- Rakowski, David. "Fund flow volatility and performance." Journal of Financial and Quantitative Analysis 45, no. 1 (2010): 223-237.
- Zeng, Yao. "A dynamic theory of mutual fund runs and liquidity management." Available at SSRN 2907718 (2017).

T4. Can Large Language Models Forecast Stock Price Movements?

Thomas Johann

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Business School

Topic Description

- Since is introduction in November 2022, ChatGPT and other Large Language Models (LLMs) have firmly established themselves in everyday life with a wide range of applications.
- Some researchers have collected its potentials in Finance (see Chen et al. (2023), Korinek (2023) and Zhao et al. (2024))
- Among other things, LLMs might be useful for making stock market (Deng et al. (2024), Guo/Hauptmann (2024) and Lopez-Lira/Tang (2023)) or earnings (Kim et al. (2024)) predictions.
- The aim of this thesis is twofold:
  - First, the thesis should provide a thorough literature review, structuring and evaluation of the existing papers on the use of LLMs in stock market prediction.
  - Second, the thesis should empirically evaluate whether it is possible to generate meaningful earnings/stock price forecasts by LLMs.
- Since this is a relatively novel research question, this thesis is especially suited for those wanting to conduct original research.
- Some prior experience in working empirically (R, or Python) would be highly advisable.

Starting References

- Chen, B., Wu, Z., & Zhao, R. (2023). From fiction to fact: the growing role of generative AI in business and finance. *Journal of Chinese Economic and Business Studies*, *21*(4), 471–496.
- Deng, Y., He, X., Hu, J., & Yiu, S. M. (2024). Enhancing few-shot stock trend prediction with large language models. Working Paper.
- Guo, Tian, and Emmanuel Hauptmann (2024). Fine-tuning large language models for stock return prediction using newsflow. Working Paper.
- Kim, Alex, Maximilian Muhn, and Valeri Nikolaev (2024). Financial statement analysis with large language models. Working Paper.
- Korinek, Anton (2023). Generative AI for economic research: Use cases and implications for economists. *Journal of Economic Literature* 61.4 (2023): 1281-1317.
- Lopez-Lira, Alejandro, and Yuehua Tang (2023). Can chatgpt forecast stock price movements? return predictability and large language models. Working Paper.
- Zhao, Huaqin, et al. (2024). Revolutionizing Finance with LLMs: An overview of applications and insights. Working Paper.

T5. Where Are the 'Opportunistic' Insiders Now?

Chen Lin

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Topic Description

- Differentiating informed trading from uninformed trading provides great value, especially when it comes to insiders. For researchers, the separation provides measures for information asymmetry and firm governance. It also allows regulators to effectively monitor illegal insider trading. And for asset managers, it offers grounds for profitable trading strategies.
- Cohen et al. (2012) provide a simple but powerful method that separate US corporate insiders (or insider trades) into '**routine**' and '**opportunistic**' ones based on historical trading patterns. When an insiders has consecutively purchased company shares in a particular month for multiple years, the next purchase in the same month by that insider is **routine**. Whereas an insider trade that falls outside that historical pattern is **opportunistic**.
- From late 2000s, insiders in the U.S. started to adopt 10b5-1 plans. Those plans are contracts between insiders and third-parties (such as brokers like JP Morgen) that specify how brokers could trade company stocks on behalf of insiders in a pre-arranged manner (such how much, how and when company stocks are traded). The proliferation of 10b5-1 planned trades therefore induce ambiguity to the identification strategy in Cohen et al. (2012) – are 10b5-1 planned trades **routine**, **opportunistic**, or they can be both? And what about the rest of non 10b5-1 planned trades?
- This master thesis aims to: 1) review the literature on the information content of insider trading, 2) extend the elementary analysis in Cohen et al. (2012) to a more recent period, and 3) analyze 10b5-1 planned trades versus non-planned trades.

Requirements

The empirical work requires the use of large databases (i.e. <CRSP, Layline Dataverse>). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of a statistical software program (such as STATA) and econometric methods. An elementary level of text analysis will be helpful.

T5. Where Are the 'Opportunistic' Insiders Now?

Chen Lin

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Business School

Starting References

- Cohen, L., Malloy, C. and Pomorski, L. (2012), Decoding Inside Information. The Journal of Finance (67): 1009-1043. https://doi.org/10.1111/j.1540-6261.2012.01740.x
- Jagolinzer, Alan D. (2009), SEC Rule 10b5-1 and Insiders' Strategic Trade. Management Science 55(2):224-239. https://doi.org/10.1287/mnsc.1080.0928
- Balogh, Attila (2023), "Layline insider trading dataset", https://doi.org/10.7910/DVN/VH6GVH, Harvard Dataverse, V418
- Lenkey, S. (2019), Cancellable Insider Trading Plans: An Analysis of SEC Rule 10b5-1, The Review of Financial Studies, Volume 32, Issue 12,, Pages 4947–4996, https://doi.org/10.1093/rfs/hhz035

T6. Hidden Liquidity

Stefan Scharnowski

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- Transparency is an important aspect of financial markets. For example, pre-trade transparency allows market participants to see the limit orders waiting in the order book. However, this transparency naturally reveals trading intentions, which may have adverse effects. The optimal degree of transparency is hence a debated topic.
- Iceberg orders display only a portion of the total order size at once (the "tip of the iceberg"). They are most commonly used by institutional traders and large market participants. These traders typically need to execute large orders without revealing the full size to the market, which could otherwise move prices unfavorably. Using iceberg orders, they can minimize market impact and achieve better pricing over time.
- This thesis investigates the impact of introducing iceberg orders on market quality, liquidity, and trading activity. To this end, trade and quote data on several trading pairs at a large cryptocurrency exchange will be provided. The unique setting of the cryptocurrency exchange, where assets trade against both fiat currencies and stablecoins, with iceberg orders introduced exclusively for the crypto-fiat pair, provides a clean control group.

Requirements

The candidate should feel comfortable in the use of a statistical software program (such as Python or Stata) and econometric methods.

Starting References

- Frey, S., & Sandås, P. (2017). The impact of iceberg orders in limit order books. Quarterly Journal of Finance, 7(03), 1750007.
- Zotikov, D., & Antonov, A. (2021). CME iceberg order detection and prediction. Quantitative Finance, 21(11), 1977-1992.
- Esser, A., & Mönch, B. (2007). The navigation of an iceberg: The optimal use of hidden orders. Finance Research Letters, 4(2), 68-81.
- Lajbcygier, P., & Vu, V. H. (forthcoming). Who can see the iceberg's peak? How icebergs are used by information and liquidity traders. Journal of Financial Research.
- Eom, K. S., Ok, J., & Park, J. H. (2007). Pre-trade transparency and market quality. Journal of Financial Markets, 10(4), 319-341.
- Boehmer, E., Saar, G., & Yu, L. (2005). Lifting the veil: An analysis of pre-trade transparency at the NYSE. The Journal of Finance, 60(2), 783-815.
- Kovaleva, P., & Iori, G. (2015). The impact of reduced pre-trade transparency regimes on market quality. Journal of Economic Dynamics and Control, 57, 145-162.
- Gozluklu, A. E. (2016). Pre-trade transparency and informed trading: Experimental evidence on undisclosed orders. Journal of Financial Markets, 28, 91-115.
- Degryse, H., Karagiannis, N., Tombeur, G., & Wuyts, G. (2021). Two shades of opacity: Hidden orders and dark trading. Journal of Financial Intermediation, 47, 100919.
- Hendershott, T., Wee, M., & Wen, Y. (2022). Transparency in fragmented markets: Experimental evidence. Journal of Financial Markets, 59, 100732.

T7. Climate Risk and Cross-Sectional Asset Pricing

Ziheng Sun

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Topic Description

- Climate change has emerged as a major source of systematic risk, with potential implications for firms' cash flows, investor expectations, and risk premia. However, the extent to which climate-related risks are incorporated into equity prices remains contested due to challenges in measurement, the long-term and uncertain nature of climate impacts, heterogeneity in investor beliefs, and confounding macroeconomic influences. In addition, policy uncertainty and variation in disclosure quality hinder consistent estimation of climate risk premia across sectors and markets.
- Bolton and Kacperczyk (2021) show that investors earn higher stock returns by holding firms with greater total carbon dioxide emissions, suggesting that markets may demand a premium for carbon risk.
- From the perspective of a firm, Gormsen et al. (2024) find the green firms perceive lower cost of capital than the brown counterparts.
- In this thesis, the student will explore whether climate risk (the "E" pillar of ESG) is priced in the cross-section of stock returns. The analysis will build on the carbon beta literature (e.g., Bolton & Kacperczyk, 2021) and examine whether firms with higher carbon intensity (emissions) earn significantly different risk-adjusted returns after controlling for common risk factors. The student is encouraged to be creative.

Requirements

- Ability to work with LSEG Workspace Add-in for Excel. The platform provides extensive ESG-related datasets accessible to University of Mannheim affiliates. Proficiency in basic programming skills (R, Stata, or Python) are required. The student should be familiar with cross-sectional asset pricing models (Fama–MacBeth regressions, factor models).

Starting References

- Bolton, P., & Kacperczyk, M. (2021). Do investors care about carbon risk? *Journal of Financial Economics*, 142(2), 517–549.
- Fama, Eugene F., and Kenneth R. French. "Common risk factors in the returns on stocks and bonds." Journal of financial economics 33.1 (1993): 3-56.
- Goldstein, Itay, et al. On ESG investing: Heterogeneous preferences, information, and asset prices. No. w29839. National Bureau of Economic Research, 2022.
- Gormsen, Niels Joachim, Kilian Huber, and Sangmin Oh. Climate capitalists. No. w32933. National Bureau of Economic Research, 2024.
- Ilhan, E., Sautner, Z., & Vilkov, G. (2021). Carbon tail risk. *Review of Financial Studies*, 34(3), 1540–1571.
- Pedersen, Lasse Heje, Shaun Fitzgibbons, and Lukasz Pomorski. "Responsible investing: The ESG-efficient frontier." Journal of financial economics 142.2 (2021): 572-597.
- Pedersen, Lasse Heje. "Carbon pricing versus green finance." Available at SSRN 4382360 (2023).

Publicly Accessible Database:

- Kenneth R. French - Data Library: https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html

T8. Long-Run Stock Returns After Corporate Events

Justus Veehof

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Topic Description

- The two classical ways to determine long-run abnormal stock returns after corporate events are the buy-and-hold abnormal return (BHAR) approach and the calendar time portfolio approach. One problem of the BHAR approach is that matching event and control firms on several characteristics affecting expected returns might result in poor matches. Also, firm characteristics of event and control firms might diverge after the matching. Bessembinder and Zhang (2013), therefore, propose a refined version of the BHAR approach. Applying this procedure to different corporate events, such as IPOs and SEOs, the economists find that abnormal returns documented by prior studies turn statistically insignificant.
- The objective of this thesis is threefold. First, the student should review the literature on long-run event studies. Second, the student should replicate the main analyses of Bessembinder and Zhang (2013). Third, the student should extend the analyses of Bessembinder and Zhang (2013).

Requirements

The empirical work requires the use of large databases (i.e. CRSP & SDC). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of a statistical software program (such as STATA) and econometric methods.

Starting References

- Bessembinder, H./Zhang F. (2013): Firm characteristics and long-run stock returns after corporate events. *Journal of Financial Economics* 109, 83-102.
- Barber, B./Lyon, J., 1997. Detecting long-run abnormal stock returns: empirical power and specification of test statistics. *Journal of Financial Economics* 43, 341–372.
- Campbell, J.Y./A.W. Lo/A.C. MacKinley (1997), The Econometrics of Financial Markets, Princeton University Press, New Jersey, Chapter 4.
- Loughran, T./Ritter, J., 2000. Uniformly least powerful test of market efficiency. *Journal of Financial Economics* 55, 361–389.
- Lyon, J./Barber, B./Tsai, C., 1999. Improved methods for tests of long-run abnormal stock returns. *Journal of Finance* 54, 165–201.

T9. Analyst Recommendations and Market Efficiency

Daniel Weiß

UNIVERSITY OF MANNHEIM
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Topic Description

- Financial analysts who publish reports, forecasts, and opinions on companies and stocks play a vital role in capital markets by facilitating the flow of information to different market participants (Kothari et al., 2016). One type of analyst opinion comes in the form of stock recommendations for individual stocks. These recommendations are regularly updated and typically range from “Strong Sell“ to „Strong Buy“.
- A large body of literature has analyzed the role of financial analysts as information providers and the corresponding asset pricing implications including Post-Revision-Drift (PRD): The empirical observation that future stock returns tend to drift in the same direction as an analyst‘s recommendation change.
- Altınkılıç et al. (2016) re-examine PRD and find that the effect virtually vanishes post-2003. They argue that the introduction of supercomputers and high-frequency trading produces this observation due to a reduction in trading costs speaking in favor of higher market efficiency and limiting the importance of analysts as information providers in the digital age. However, their sample period ends in 2010 and current research on PRD is rather scarce. If their transaction cost-argument holds, one should not expect a significant PRD in recent years.
- The goal of this master thesis is threefold: First, the student should review the literature on the role of financial analysts as information intermediaries in the face of market efficiency. Second, the student should replicate the main analysis by Altınkılıç et al. (2016) using analyst stock recommendations from I/B/E/S. Third, the student should extend the analysis using a more recent sample period to examine whether their transaction cost-argument still holds.

Requirements

The empirical work requires the use of large databases (i.e., I/B/E/S, CRSP). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of a statistical software program (i.e., STATA, R) and econometric methods.

T9. Analyst Recommendations and Market Efficiency

Daniel Weiß

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Altınkılıç, O., Hansen, R. S., & Ye, L. (2016). Can analysts pick stocks for the long-run?. *Journal of Financial Economics*, *119*(2), 371-398.
- Barber, B., Lehavy, R., McNichols, M., & Trueman, B. (2001). Can investors profit from the prophets? Security analyst recommendations and stock returns. *The Journal of Finance*, *56*(2), 531-563.
- Bradley, D., Clarke, J., Lee, S., & Ornthanalai, C. (2014). Are analysts' recommendations informative? Intraday evidence on the impact of time stamp delays. *The Journal of Finance*, *69*(2), 645-673.
- Cao, S., Jiang, W., Wang, J., & Yang, B. (2024). From man vs. machine to man+ machine: The art and AI of stock analyses. *Journal of Financial Economics*, *160*, 103910.
- Daniel, K., Grinblatt, M., Titman, S., & Wermers, R. (1997). Measuring mutual fund performance with characteristic-based benchmarks. *The Journal of Finance*, *52*(3), 1035-1058.
- Fama, E. F. (1970). Efficient capital markets. The *Journal of Finance*, *25*(2), 383-417.
- Grossman, S. J., & Stiglitz, J. E. (1980). On the impossibility of informationally efficient markets. *American Economic Review*, *70*(3), 393-408.
- Kothari, S. P., So, E., & Verdi, R. (2016). Analysts' forecasts and asset pricing: A survey. *Annual Review of Financial Economics*, *8*(1), 197-219.
- Loh, R. K., & Stulz, R. M. (2011). When are analyst recommendation changes influential? *The Review of Financial Studies*, *24*(2), 593-627.
- Stickel, S. E. (1992). Reputation and performance among security analysts. *The Journal of Finance*, *47*(5), 1811-1836.

T10. Long-run IPO Performance and Firm Characteristics: Evidence from Germany

Mengnan Wu

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Business School

Topic Description

- A large literature reports negative long-run abnormal returns after corporate events (e.g., IPOs, SEOs, M&A, and dividend initiations). Bessembinder and Zhang (2013) argue that much of this results from imperfect control-firm matching: event firms differ from their matches not only in size and book-to-market but also in idiosyncratic volatility, liquidity, momentum, beta, and investment—characteristics that themselves explain returns.
- The thesis should (i) survey the literature on long-term IPO underperformance; (ii) assess whether long-term return estimates from the buy-and-hold abnormal return method and the calendar-time portfolio approach are consistent; (iii) examine the explanatory power of nonlinearities (squared firm characteristics) for long-term returns; and (iv) apply the characteristic-based benchmark proposed by Bessembinder and Zhang (2019) to evaluate post-IPO stock performance.

Requirements

The empirical work requires the use of large databases (i.e. Refinitiv Eikon). The candidate should feel comfortable in the use of Stata and econometric methods.

T10. Long-run IPO Performance and Firm Characteristics: Evidence from Germany

Mengnan Wu

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Bessembinder, H., & Zhang, F. (2013). Firm characteristics and long-run stock returns after corporate events. *Journal of Financial Economics*, 109(1), 83-102.
- Gandolfi, G., Regalli, M., Soana, M. G., & Arcuri, M. C. (2018). Underpricing and long-term performance of IPOs: Evidence from European intermediary-oriented markets. *Economics, Management & Financial Markets*, 13(3).
- Bessembinder, H., Cooper, M. J., & Zhang, F. (2019). Characteristic-based benchmark returns and corporate events. *The Review of Financial Studies*, 32(1), 75-125.
- Loughran, T. (2021). Reconsidering equity issue performance: A focused criticism of the Fama-French factor models. Available at SSRN 3907523.