Seminar in Financial Markets
HWS 2025

UNIVERSITY OF MANNHEIM
Business School

Chair of Finance – Prof. Dr. Erik Theissen

AACSB ACCREDITED · EFMD EQUIS ACCREDITED · ASSOCIATION OF MBAS ACCREDITED

Chair of Finance

UNIVERSITY OF MANNHEIM
Business School

- **Address:**
  - L 9, 1-2
  - Secretary: third floor (“3. OG“)
  - Assistants: second, fourth, and fifth floor
- **Office hours:**
  - By appointment
  - General questions: Please visit our homepage first
- **Research:**
  - Market Microstructure
  - Empirical Asset Pricing
  - Blockchain & Cryptocurrency

Assignment of Seminar Topics

- **Prerequisites:**
  - We recommend CC 502 Applied Econometrics as a prerequisite.
  - One core course (FIN 5XX) from the Area “Banking, Finance, and Insurance”.
  - Please note that a FIN 6XX course is not (!) enough.

- The assignment of topics is carried out jointly by the chairs of the Area “Banking, Finance, and Insurance”.

- Assignment of topics will be based on your grades in the Area “Banking, Finance, and Insurance” and your priority list.

Time Schedule

- **Application period:**
  - Thursday, 05.06.2025 – Wednesday, 18.06.2025
- **Topics Allocation Announcement and Starting Date:**
  - Thursday, 26.06.2025
- **Submission deadline:**
  - Thursday, 21.08.2025 (8 weeks)
- **Seminar presentations**
  - Thursday, 04.09.2025 + Friday, 05.09.2025 (in person)

Stata and Database Tutorials

UNIVERSITY OF MANNHEIM
Business School

FIN 604 – Stata in Finance

- Short crash course on how to write an empirical paper using Stata and the databases offered at the University of Mannheim

- **Next date:**
  - Monday, 23.06.2025 – Thursday, 26.06.2025

- **Registration:**
  - For participation in class, please join the Ilias group. To participate in the exam, in addition registration for the exam in Portal2 is necessary.

- **Further information is available under the following link:**

https://www.bwl.uni-mannheim.de/theissen/lehre/masterlehre/fin-604-stata-in-finance/

Guide to Scientific Writing

UNIVERSITY OF MANNHEIM
Business School

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

https://www.bwl.uni-mannheim.de/media/Lehrstuehle/bwl/Theissen/Lehre/Guidelines_Masterthesis_2022.pdf/flipbook

Important Remarks

- **Plagiarism policy:**
  - Your seminar 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 seminar thesis takes also into account the language quality.
  - Linguistic shortcomings negatively impacts your final grade.
  - The seminar thesis can be either written in English or German.

- **Literature in foreign languages:**
  - Please only include literature that is written either in English or German.

Data Storage

UNIVERSITY OF MANNHEIM
Business School

- **Disclaimer:**
  - You are responsible for your data. It can always happen that your computer breaks down, is stolen, or damaged in any other way. However, you are responsible for having a backup of your thesis and your progress. Please make sure that you have enough backups. There will be no extensions of the deadline. (Even if we were willing to grant you an extension of the deadline, we are not allowed to.)

- **Backups:**
  - Mail
  - Dropbox
  - USB drive/external hard drive
  - Cloud
  - …

T1. Out-of-Sample Return Prediction With the Market Model

Prof. Dr. Erik Theissen

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- In event studies and other applications, expected returns are often estimated by a market model where stock returns (or excess returns) are regressed on market (excess) returns. Out-of-sample return forecasts are then obtained using the model parameters (i.e., slope and intercept)
- Because the return forecast includes the intercept, it is implicitly assumed that any "ab-normal" performance of the stock in the estimation window will persist in the forecasting period. If the market model is the correct asset pricing model and the market is informationally efficient, this should not be the case.
- The objective of this paper is to use a large sample of US equities and compare the forecasting error of forecasts with inclusion and exclusion of the estimation window alpha.
- The forecast errors can be compared by descriptives (such as MAE and RMSE) and by formal tests such as the standard and extended Diebold Mariano test.

Requirements

The empirical work requires the use of large databases (i.e. CRSP). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of appropriate software (such as STATA, R or Python) and econometric methods.

Starting Reference

- Diebold, F.X. and R.S. Mariano. (1995). Comparing Predictive Accuracy. Journal of Business and Economic Statistics, 13: 253-63.
- Harvey, D., S. Leybourne, and P. Newbold. (1997). Testing the Equality of Prediction Mean Squared Errors. International Journal of Forecasting, 13: 281-91.

T2. Event Studies - How to Estimate the Market Model?

Prof. Dr. Erik Theissen

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- In event studies (and other applications), expected returns are often estimated by a market model. Out-of-sample return forecasts are then obtained using the model parameters (i.e., slope = beta and intercept = alpha).
- It is common to estimate the market model by regressing daily stock returns on the returns of a market proxy. In contrast, in empirical asset pricing studies it is common to estimate betas and alphas by regressing stock **excess** returns on the **excess** returns of a market proxy.
- The objective of this paper is to provide some background on the issue and then to use a large sample of US equities and compare the forecasting error of forecasts obtained with both approaches.
- The forecast errors can be compared via descriptives (such as MAE and RMSE) and by formal tests such as the standard and extended Diebold Mariano tests.

Requirements

The empirical work requires the use of large databases (i.e. CRSP). The databases are readily accessible for affiliates of the University of Mannheim. The candidate should feel comfortable in the use of appropriate software (such as STATA, R or Python) and econometric methods.

Starting References

- Diebold, F.X. and R.S. Mariano. (1995). Comparing Predictive Accuracy. Journal of Business and Economic Statistics, 13: 253-63.
- Harvey, D., S. Leybourne, and P. Newbold. (1997). Testing the Equality of Prediction Mean Squared Errors. International Journal of Forecasting, 13: 281-91.
- MacKinley, C. (1997): Event Studies in Economics and Finance. Journal of Economic Literature 35, 13-39.

T3. ETF liquidity and Settlement Cycle

Chen Lin

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- When investors have purchased ETF shares on exchanges, ETF market makers have a series of obligations to fulfill. They need to acquire the basket of ETF underlying assets, create new ETF shares, and deliver those ETF shares to investor custodian accounts. By regulatory requirement, this process is supposed to be completed in several days (settlement cycle) after your purchase.
- As with all deliveries, timeliness is costly and delays can occur. In ETFs, the cost of timeliness may be reflected in wider quoted spreads or larger ETF premium, and not delivering ETF shares on time ends up in 'fails-to-deliver'.
- A shortened settlement cycle can have ambiguous net effects on ETF liquidity. On one hand, since ETF market makers have to deliver ETFs to investors in a more stringent standard, which can be more costly. On the other hand, ETF market makers receive the basket of underlying asset at a faster pace, which smoothens operations.
- The aim of this seminar thesis is to study the impact of two regulatory changes in the US – when the settlement cycle was moved from T+3 to T+2 on Sept 5, 2017 and from T+2 to T+1 on May 28, 2024, on US ETF liquidity. Specifically, the student should document whether there were changes in average ETF "fails-to-deliver", liquidity, and mispricing before and after the shortened settlement cycle.

Requirements

The empirical work requires the use of large databases (i.e. <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 (such as STATA) and econometric methods.

T3. ETF liquidity and Settlement Cycle

Chen Lin

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Fotak, V., Raman, V., & Yadav, P. K. (2014). Fails-to-deliver, short selling, and market quality. Journal of Financial Economics, 114 (3), 493-516.
- Evans, R. B., Moussawi, R., Pagano, M. S., & Sedunov, J. (2022). Operational Shorting and ETF Liquidity Provision. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2961954
- Baig, A., Breeze, S., Cox, J., & Griffith, T. (2021). Settling down: T+2 settlement cycle and liquidity. EuropeanFinancial Management, 28 (5), 1260-1282.
- Ben-David, I., Franzoni, F., & Moussawi, R. (2018). Do ETFs Increase Volatility? Journal of Finance, 73 (6),2471-2535.
- SEC “fails-to-deliver” data: https://www.sec.gov/data-research/sec-markets-data/fails-deliver-data

T4. Liquidity and Economics of Scale in Spot Bitcoin ETFs

Chen Lin

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- In merely more than a year since approval, spot Bitcoin ETFs listed in the US grew at a tremulous speed. While called as ETFs, spot Bitcoin ETFs omit some features in conventional ETFs that are critical to liquidity provision, such as the in-kind creation and redemption mechanism.
- The aim of this seminar thesis is to understand the differences in liquidity between Bitcoin and conventional equity ETFs. The thesis should be composed of two analyses:
  - 1) a cross-section comparison of spot Bitcoin ETFs versus equity ETFs, to find out whether spot Bitcoin ETFs are systematically less liquid than equity ETFs,. The student should try to account for observable differences in other liquidity determinants such as fund size, return and volatility of underlying assets, etc.
  - 2) a fund-time level panel analysis that tests whether liquidity in spot Bitcoin ETFs improves as they grow in size – a prediction consistent with economics of scale. This would help validate whether the observed differences in spot Bitcoin ETF liquidity is primarily a scale issue rather than a structural consequence.

Requirements

The empirical work requires the use of large databases (i.e. <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 (such as STATA).

T4. Liquidity and Economics of Scale in Spot Bitcoin ETFs

Chen Lin

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Ben-David, I., Franzoni, F., & Moussawi, R. (2018). Do ETFs Increase Volatility? Journal of Finance, 73 (6),2471-2535.
- Todorov, K., Launch of the first US bitcoin ETF: mechanics, impact, and risks, BIS Quarterly Review.
- Chordia, T., Huh, S.-W., & Subrahmanyam, A. (2007). The Cross-Section of Expected Trading Activity. Review of Financial Studies, 20, 709-740.
- Chen, J., Harrison H., Ming H., and Jeffrey K., 2004. "Does Fund Size Erode Mutual Fund Performance? The Role of Liquidity and Organization." American Economic Review 94 (5): 1276–1302.
- Liu S., Yang C., Spot cryptocurrency ETFs: Crypto investment products or stepping stones toward tokenization, (2024), Finance Research Letters, Volume 69, Part B, 1544-6123.

T5. Smart Money Effect Revisited: What New vs. Reinvestment Sales Reveal About Future Fund Success

Hongting Jiang

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- The "smart money" effect, suggesting mutual fund investors can predict future fund performance, is a widely researched topic with varied conclusions. The debate over whether investor flows genuinely forecast performance has yielded mixed results (e.g., Gruber, 1996; Frazzini & Lamont, 2008). This ambiguity might arise because studies often analyse aggregate net flows, which combine capital from diverse investor types with potentially different information and decision-making approaches.
- This thesis aims to disentangle these effects by examining two distinct inflow categories: new sales (from potentially new investors) and reinvestment sales (from existing investors, often post-dividend). Do these flow types differentially predict future fund success? Do existing investors with fund familiarity and less searching costs make "smarter" reinvestments? Or do new investors with a broader market view and less susceptibility to anchoring bias direct "smarter" new capital?
- In this seminar thesis, the student will empirically re-examine the "smart money" effect. Using mutual fund data from CRSP or Morningstar, the study will examine whether funds attracting higher new sales and/or reinvestment sales subsequently perform differently. The aim is to provide a clearer understanding of which investor flows, if any, hold superior predictive power for future fund performance.

Requirements:

- The empirical work requires the use of large databases(i.e.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(such as STATA)and econometric methods.

Starting References

- Frazzini, Andrea, and Owen A. Lamont. "Dumb money: Mutual fund flows and the cross-section of stock returns." *Journal of financial economics* 88, no. 2 (2008): 299-322.
- Gruber, Martin J. "Another puzzle: The growth in actively managed mutual funds." *Annals of Operations Research* (2024): 1-25.
- Keswani, Aneel, and David Stolin. "Which money is smart? Mutual fund buys and sells of individual and institutional investors." *The Journal of Finance* 63, no. 1 (2008): 85-118.
- Zheng, Lu. "Is money smart? A study of mutual fund investors' fund selection ability." *the Journal of Finance* 54, no. 3 (1999): 901-933.
- Sapp, Travis, and Ashish Tiwari. "Does stock return momentum explain the “smart money” effect?." *The Journal of Finance* 59, no. 6 (2004): 2605-2622.

T6. Flow Echoes: Mutual Fund Inflow-Performance Sensitivity and Future Outflow Stability

Hongting Jiang

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- Mutual fund investors are well-known for chasing performance, directing capital towards recent winners and away from underperformers (Ippolito, 1992; Sirri & Tufano, 1998), directly affecting fund size and stability. However, not all such capital inflows are created equal: the investors behind them exhibit varying sensitivities and loyalties, critically affecting the stability of funds.
- This underlying heterogeneity is crucial for fund capital management. For example, were initial investments driven by fleeting market trends, attracting volatile “hot money” that might lead to equally volatile outflows, or by a more enduring commitment, suggesting “stickier” capital and more predictable future flows? This thesis investigates a less-explored question with significant real-world implications: can the initial 'pulse' of money flowing into a fund, specifically, how intensely these inflows react to recent strong performance, predict the future outflows? In other words, how readily those same investors might withdraw their capital when performance later declines?
- In this seminar thesis, the student will conduct an empirical study on the predictive power of past inflow sensitivity on future outflow behaviour. Using mutual fund data from databases such as CRSP or Morningstar, the task will examine if a fund's initial sensitivity to performance-driven inflows can predict its subsequent outflow patterns, aiming to provide a deeper understanding of investor behaviour and offer practical insights into mutual fund stability.

Requirements:

- The empirical work requires the use of large databases(i.e.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(such as STATA)and econometric methods.

Starting References

- Barber, Brad M., Xing Huang, and Terrance Odean. "Which factors matter to investors? Evidence from mutual fund flows." *The Review of Financial Studies* 29, no. 10 (2016): 2600-2642.
- Coval, Joshua, and Erik Stafford. "Asset fire sales (and purchases) in equity markets." *Journal of Financial Economics* 86, no. 2 (2007): 479-512.
- Huang, Jennifer, Kelsey D. Wei, and Hong Yan. "Participation costs and the sensitivity of fund flows to past performance." *The journal of finance* 62, no. 3 (2007): 1273-1311.
- Lou, Dong. "A flow-based explanation for return predictability." *The Review of Financial Studies* 25, no. 12 (2012): 3457-3489.
- Sirri, Erik R., and Peter Tufano. "Costly search and mutual fund flows." *The journal of finance* 53, no. 5 (1998): 1589-1622.

T7. Stablecoin Liquidity

Dr. Stefan Scharnowski

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- The rapid rise of stablecoins – digital assets pegged to traditional assets like the US dollar – has significantly reshaped the digital asset landscape. Stablecoins play a crucial role in providing liquidity, acting as a bridge between traditional finance and the crypto ecosystem, and are central to trading activities on both centralized and decentralized exchanges.
- The aim of this thesis is to empirically analyze the liquidity of stablecoins, i.e., how easily and efficiently they can be traded without causing large price changes. The analysis will focus on key liquidity metrics such as trading volume, bid-ask spreads, and order book depth, exploring how these features differ across leading stablecoins. The thesis will also consider how periods of market stress impact stablecoin liquidity.
- The empirical analysis will be based on granular data sets containing stablecoin trading and quoting information. Some key data will be provided.
- The thesis is a good opportunity to learn about digital finance and how trading is organized in financial markets.

Requirements

The empirical analysis should be conducted in Stata, Python, or R. The student is expected to be familiar or familiarize themselves with a statistical software when starting to work on the thesis.

T7. Stablecoin Liquidity

Dr. Stefan Scharnowski

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Leirvik, T. (2022). Cryptocurrency returns and the volatility of liquidity. *Finance Research Letters*, *44*, 102031.
- Brauneis, A., Mestel, R., Riordan, R., & Theissen, E. (2021). How to measure the liquidity of cryptocurrency markets?. *Journal of Banking & Finance*, *124*, 106041.
- Brauneis, A., Mestel, R., & Theissen, E. (2021). What drives the liquidity of cryptocurrencies? A long-term analysis. *Finance Research Letters*, *39*, 101537.
- Scharnowski, S. (2021). Understanding bitcoin liquidity. *Finance Research Letters*, *38*, 101477.
- Lyons, R. K., & Viswanath-Natraj, G. (2023). What keeps stablecoins stable?. *Journal of International Money and Finance*, *131*, 102777.
- Hoang, L. T., & Baur, D. G. (2024). How stable are stablecoins?. *The European Journal of Finance*, *30*(16), 1984-2000.
- Grobys, K., Junttila, J., Kolari, J. W., & Sapkota, N. (2021). On the stability of stablecoins. *Journal of Empirical Finance*, *64*, 207-223.
- Griffin, J. M., & Shams, A. (2020). Is Bitcoin really untethered?. *The Journal of Finance*, *75*(4), 1913-1964.

T8. Assisted Suicide and the Stock Market

Dr. Stefan Scharnowski

UNIVERSITY OF MANNHEIM
Business School

Topic Description

- The legalization of assisted suicide is a growing global phenomenon with profound ethical, social, and legal implications. While the human and moral dimensions are usually the focus of the surrounding debate, the economic consequences have received less attention.
- This thesis investigates how announcements or implementations of assisted suicide laws affect stock returns. The primary focus is on sectors likely to be financially impacted, such as healthcare providers, life insurers, pharmaceutical companies, and elder care services.
- Legal changes in end-of-life options may influence firm valuations by altering expectations about healthcare demand, insurance liabilities, or regulatory risk. Markets may interpret these policy shifts as signals about future costs, revenues, or societal preferences.
- This project will empirically analyze stock price reactions to key assisted suicide policy events across jurisdictions. The aim is to identify whether investors perceive these legal changes as materially relevant to firm performance.

Requirements

The empirical analysis should be conducted in Stata, Python, or R. The student is expected to be familiar or familiarize themselves with a statistical software when starting to work on the thesis.

T8. Assisted Suicide and the Stock Market

Dr. Stefan Scharnowski

UNIVERSITY OF MANNHEIM
Business School

Starting References

- Isaac, S., McLachlan, A. J., & Chaar, B. (2024). Policies and cost analyses of voluntary assisted dying (VAD) laws–a mapping review & analysis. *Health Economics Review*, *14*(1), 66.
- Girma, S., & Paton, D. (2022). Is assisted suicide a substitute for unassisted suicide?. *European Economic Review*, *145*, 104113.
- Emanuel, E. J., & Battin, M. P. (1998). What are the potential cost savings from legalizing physician-assisted suicide?. *New England Journal of Medicine*, 339(3), 167-172.
- Della Croce, Y. (2023). Against commercial-assisted suicide. *Bioethics*, *37*(7), 617-623.
- Chin, A. E., Hedberg, K., Higginson, G. K., & Fleming, D. W. (1999). Legalized physician-assisted suicide in Oregon—the first year's experience. *New England Journal of Medicine*, *340*(7), 577-583.
- Ganzini, L. (2017). Legalized physician assisted death in Oregon—eighteen years' experience. In *Assistierter Suizid: Der Stand der Wissenschaft: mit einem Kommentar zum neuen Sterbehilfe-Gesetz* (pp. 7-20). Springer Berlin Heidelberg.
- Paton, D. (2025). Estimating the cost of implementing assisted suicide in the UK.
- Yang, B., & Lester, D. (2007). Recalculating the economic cost of suicide. Death studies, 31(4), 351-361.
- https://www.statista.com/chart/28133/assisted-dying-world-map/