# Junyong Kim

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## Employment

Visiting Assistant Professor of Finance. University of Wisconsin–Milwaukee — 2020–present

## Education

- Ph.D. in Finance with a minor in Econometrics. University of Wisconsin–Milwaukee — 2015–2020
  *Dissertation:* Three essays on market anomalies and financial econometrics
  *Committee:* Valeriy Sibilkov (chair). Richard D. Marcus. John R. Huck. Jangsu Yoon. Donghyun Kim
  Sheldon B. Lubar Scholarship (2016–2017; 2018–2020)
- M.S. in Finance. Seoul National University — 2013–2015
  *Thesis:* The cross-section of conditional heteroskedasticity and expected return
  Woongdae Scholarship (2012–2014)
- B.B.A. in Business Administration (Dean's List). Kyung Hee University — 2007–2013
  Exchange student (Chancellor's Honor Roll). University of Mississippi (2012)
  Military service. Seoul Metropolitan Police Agency (2007–2009)

## Research Interests

Empirical asset pricing. International finance. Momentum. Volatility. Financial econometrics

## Working Papers

- Globally synchronized momentum crashes and flight to quality — 2021
  with Chang-Mo Kang and Donghyun Kim — Under review at *Review of Financial Studies* (2021)
  2021: Chung-Ang University; 2020: Financial Management Association Annual Meeting. Annual Conference on Asia-Pacific Financial Markets. Korea Advanced Institute of Science and Technology. Seoul National University; 2019: University of Wisconsin–Milwaukee
  - Large crashes of equity momentum returns tend to occur simultaneously across borders. These globally synchronized momentum crashes are related to returns on distressed stocks around international flight-to-quality (FTQ) events. In both developed and emerging markets, distressed stocks underperform during FTQ periods and thus constitute loser portfolios. In the subsequent market recovery, distressed stocks rebound more drastically than other stocks do, leading to momentum crashes. Our findings suggest that international diversification is limited in managing momentum crash risks.
- Zoom in on momentum — 2021
  Under review at *Journal of Banking and Finance* (2021)
  - Portfolios sorted by momentum show stronger return monotonicity than those formed using other anomalies. Compared with other strategies, the performance of such a momentum strategy improves monotonically with the number of portfolios. These improvements are significant beyond the influences of the usual pricing factors. Momentum factors based on more portfolios span those based on fewer portfolios, whereas the opposite effects do not hold. The evidence reported in this study further suggests that forming more than 10 portfolios sharpens the momentum factors and their stylized facts.

- Informed trading of out-of-the-money options and market efficiency — 2021

  with Chang-Mo Kang, Donghyun Kim, and Geul Lee — Revise and resubmit at *Journal of Financial Research* (2021)

  2018: University of Wisconsin–Milwaukee; 2016: OptionMetrics Research Conference. Financial Research Network Annual Conference. Australasian Finance and Banking Conference. Annual Conference on Asia-Pacific Financial Markets

  - We examine stock return predictability of "Out-of-The-Money (OTM) put-to-OTM call trading volume ratio" (OTMPC). Our numerical analysis predicts that, in the U.S. equity option market, informed investors hardly write OTM options because the leverage effect is not sufficient to compensate for transaction costs. OTMPC, thus, captures the informed investors' OTM put purchase volume relative to their OTM call purchase volume. After controlling for the existing empirical proxies for informed option trading, we find that OTMPC predicts future stock returns and corporate news. The return predictability offers implementable stock portfolio strategies. Our findings suggest that market inefficiency can emerge from uninformed investors' limited knowledge about how transaction costs influence the trading strategies of informed investors.

- Which volatility drives the anomaly? Cash flow versus discount rate — 2018

  with Donghyun Kim and Valeriy Sibilkov — Presented at Asia-Pacific Association of Derivatives Annual Conference (2018)

  - We reexamine the idiosyncratic volatility puzzle of Ang et al. (2006) in the cross-section of stock returns at the quarterly horizon and investigate the relative importance of cash flow and discount rate shocks in driving the anomaly based on the news decomposition method of Vuolteenaho (2002) with quarterly data. The result from idiosyncratic volatility-sorted quintile portfolios shows that the zero investment portfolio constructed with two extreme portfolios earns about 1.3 percent (1.2 percent) alpha returns per quarter on average after controlling the market factor (Fama–French factors). In addition, we create two decile portfolios sorted on discount rate news volatilities and cash flow news counterparts. While the average return of the arbitrage portfolio from discount rate news volatilities is insignificant, the counterpart from cash flow news volatilities exhibits about 1.5 percent (1.2 percent) alpha returns per quarter on average after considering the market factor (Fama–French factors). These findings indicate that cash flow news volatilities rule most things about the anomaly rather than discount rate news counterparts. In addition, the findings suggest that investors prefer cash flow news volatilities to discount rate news counterpartes, and hence not all idiosyncratic volatilities are equally priced in the cross-section.

- Multiway clustered standard errors in finite samples — 2017

  Presented at University of Wisconsin–Milwaukee (2017)

  - I demonstrate the downward bias of existing one-way and two-way clustered standard error estimators (Petersen, 2009; Thompson, 2011) in finite samples using Monte Carlo simulations. When there exist both firm and time effects in a panel regression with $N \gg T$, a firm clustered standard error is always the worst. A clustered standard error estimator by time is the third best, but worsens as $T$ increases. A clustered standard error estimator by both firm and time is the second best, but is biased downward in finite samples. I suggest two first best standard error estimators that always outperform the other competitors.

## Works in Progress

- The world price of inequality risk
- Revisiting intertemporal CAPM — with Valeriy Sibilkov and John R. Huck
- Flight to quality and global factors — with Chang-Mo Kang and Donghyun Kim
- How does volatility management improve anomalies? — with Chang-Mo Kang and Donghyun Kim

## Service

Referee. *Finance Research Letters* (2021)

## Teaching Experience

- International Financial Management (9 sections) — 2017–present
- Financial Modeling (7 sections) — 2019–present
  - Outstanding Doctorial Student Teaching Award (2020)
  - Gold Star Teaching Award (2020)

- Investment Finance (3 sections) 2020–present
- Intermediate Finance (4 sections) 2019–2020
  - Outstanding Doctorial Student Teaching Award (finalist; 2019)

## Skills

C. Git. LaTeX. Python. R. SAS. Slurm. Stata

## References

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