Lawrence Hsiao

Contact Information

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Doctoral Studies

Kellogg School of Management, Northwestern University, Evanston, IL

Ph.D. in Finance, 2017-2022 (expected)

Dissertation: "Essays in Asset Pricing"

Committee: Robert Korajczyk (Co-Chair), Pietro Ortoleva (Co-Chair), Viktor Todorov, Charles Nathanson

Prior Education

Columbia University, New York, NY

M.A. in Economics, 2015-2016
Rank: 1 of 33

National Tawian University, Taipei, Taiwan

B.B.A. in Finance, 2012-2015
Rank: 1 of 116, Phi Tau Phi scholastic Honor Award

Research Interests

Empirical Asset Pricing, Behavioral Finance

Job Market Paper

"**Ambiguity, Investor Disagreement, and Expected Stock Returns**"

Presentations: American Finance Association (AFA) Annual Meeting (scheduled), European Finance Association (EFA) Doctoral Tutorial, Yale SOM Lynne & Andrew Redleaf Foundation Graduate Student Conference, Dauphine Finance Ph.D. Workshop, University of Texas at Austin PhD Student Symposium, Wharton Inter-Finance PhD Seminar, Financial Markets and Corporate Governance Conference, Kellogg Brown Bag Seminar, Behavioral Research in Finance, Governance, and Accounting (scheduled)

Based on the implication of a disagreement model, I measure investor disagreement (ID) as the correlation coefficient between trading volume and absolute price change, multiplied by -1. I find that stocks in the highest ID decile outperform stocks in the lowest ID decile by 9.24 percent annually, adjusted for exposures to the market return as well as size, value, momentum, and liquidity factors. In addition, stocks in the highest ID decile prior to earnings announcements earn significantly higher earnings announcement returns. I extend the model by assuming that traders are ambiguity-averse and show that there exists a positive relation between ID and expected stock return. I also find that ID tends to increase following earnings announcements, with the size of the increase being bigger after bad news.

Working Papers

"Transmission of Return Shocks"

I construct a model to explain the spillover effect of return shocks among two firms. In particular, I argue that the fraction of jointly attentive traders plays an important role in the information transmission process. The model predicts that if the joint attention fraction is higher, the return comovement is larger. In addition, If there exists no joint attention fraction, there should be no return comovement. The empirical results strongly support the predictions.

Working in Progress

"Trust Mutual Fund Managers, but the Other Way Around"

Can mutual fund managers pick stocks? The answer is no. A self-financing strategy of buying stocks being least widely held by active mutual funds and shorting stocks that are most widely held by active mutual funds generates an annual risk-adjusted return of 10%, controlling for exposures to the market return, size, value, momentum, and liquidity factors. This phenomenon is most pronounced among "popular" stocks that are covered by more analysts or held by more active mutual funds. The results show that mutual funds managers lack stock-picking ability and in particular exert less effort in identifying profitable ones among high attention stocks.

"Stealth-trading: To Split, or Not to Split?"

I construct a model to analyze how the interactions between individuals (uninformed) and institutional traders (informed) in the stock market affect the informed traders' trade size choices. Using a sample of NYSE stock data from TORQ database in the model simulation, I observe that when the fraction of "defensive informed traders" among informed traders and the splitting cost are not too small, medium-size trades are more preferred by institutional traders. This result is consistent with Barclay and Warner's (1993) stealth-trading hypothesis.

Fellowships, Awards, and Honors

Taiwanese Overseas Pioneers Grants (TOP Grants) for PhD Candidates, 2021-2022
Government Scholarship to Study Abroad by the Ministry of Education, 2019-2021
Kellogg School of Management Doctoral Fellowship, 2017 - 2022
Kellogg School of Management Research Grants, 2017 - 2022
National Taiwan University Phi Tau Phi scholastic Honor Award, 2015
National Taiwan University Presidential Award, 2012-2015
Samsung Scholarship Award, 2013
Taiwan Youth Delegation, APEC Voices of the Future in Bali, Indonesia, 2013

Teaching Experience

Teaching Assistant, Macroeconomics, Kellogg EMBA
2021 Spring & Fall

Teaching Assistant, Macroeconomic Policy and Capital Markets, Kellogg MBA
2019 Spring; 2020 Winter & Spring; 2021 Winter & Spring

Teaching Assistant, Finance II (Corporate Finance), Kellogg MBA
2018 Fall; 2020 Winter & Spring; 2021 Winter & Spring

Research Experience

2021 Summer: Research Assistant to Professor Robert Korajczyk
2019 Summer: Research Assistant to Professor Charles Nathanson
2018 Summer: Research Assistant to Professor Jacopo Ponticelli

Discussant

Behavioral Research in Finance, Governance, and Accounting (scheduled), Financial Markets and Corporate Governance Conference

Personal

Citizenship: United States
Languages: English (fluent), Chinese (native)
Computer skills: SAS, STATA, MATLAB, R, LaTeX

References

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