

Manager Uncertainty and the Cross-Section of Stock Returns

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ABOUT THIS PAPER

- This paper build a novel, firm-level measure of uncertainty, **manager** uncertainty

$$MU_{it} = \frac{N_{uncertain}}{N_{uncertain} + N_{risk}}$$

- Negative explanatory power for cross-sectional stock returns

$$R_{it} = \alpha_t + \beta_t MU_{it} + \gamma_t Control_{it} + \epsilon_{it}$$

SUGGESTIONS

- Are managers aware of the distinction between risk and uncertainty?
 - MU positively related to $LM_{negative}$ and $LM_{positive}$ (Table 2, Panel B)

| Measures | (1) | (2) |
|-----------------|--------------------|--------------------|
| $LM_{negative}$ | 3.354*** (5.08) | |
| $LM_{positive}$ | | 9.157*** (5.93) |

SUGGESTIONS

- Are managers aware of the distinction between risk and uncertainty? (paper)
 - MU positively related to $LM_{negative}$ and $LM_{positive}$ (Table 2, Panel B)

Try

Remove the firms that frequently use uncertainty and risk together in a sentence.

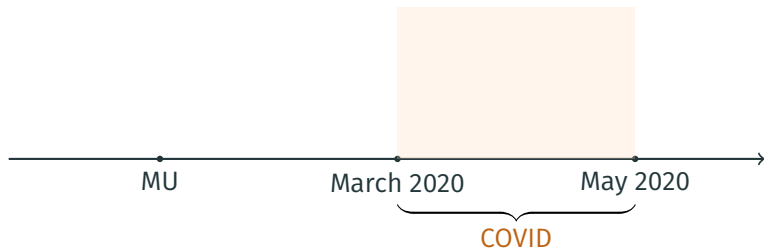
SUGGESTIONS

- High uncertainty firms versus firms hedging against uncertainty

Try

Examine this in period of COVID-19

SUGGESTIONS



- Run the following regression

$$R_{it} = \beta MU_{it-1} + FE + controls + \epsilon_{it}$$

- High MU firms have high uncertainty β (Bali et al., 2017).
- Are high MU firms more prone to uncertainty shocks?