

The 9th CERF Cavalcade

Wednesday 18th May 2022, 2.30 pm, in-person and via Zoom



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14.30-14.40	Welcome and Introductions - A word from the CERF Director Bart Lambrecht	
14.40-14.55	<p><i>Dynamic Preferences for Residential Architecture: Finding Ground Truth with Machine Learning Approaches</i> <u>Thies Lindenthal</u>, <i>Department of Land Economy, CERF Fellow, in-person</i></p> <p>ML-enabled classifiers are regularly criticized for being "black boxes": While their predictive power is undisputed, it remains difficult to understand why the model arrives at a particular classification. The same can be said for humans classifying photos according to their aesthetic appeal. They can quickly say whether they like a photo or not—but giving justifications for such a choice is often challenging. Also, human classifiers exhibit inconsistencies and biases, adding to the black box nature of their classifications.</p> <p>This paper first collects binary classifications of house pictures from a large group of participants and then trains personalized ML classifiers for each participant. Predictions from these automated yet personal classification machines shed light on biases and dynamic inconsistencies in the participants' assessment of residential real estate's visual appeal.</p>	
14.55-15.10	<p><i>Oracles of the Vote: Predicting the Outcomes of Proxy Contests for Board Seats</i> <u>Ting Yu</u>, <i>CJBS, CERF Scholar, in-person</i></p> <p>This paper examines proxy contests and the value of shareholder voting rights (i.e., voting premium) estimated using option prices. Our sample consists of 873 proxy contests for board seats from 1994 to 2017 where targets are U.S. publicly listed firms. We find that voting premium can help predict the outcomes of the proxy contests. Specifically, increased voting premiums around contest announcements is associated with higher likelihood of the subsequently settled or voted contests, as opposed to withdrawn contests. Further, the success of the dissidents achieving board seats at the voted contests increases with the voting premium around the record dates.</p>	
15.10-15.25	<p><i>Are Cryptocurrencies Priced in the Cross-section? A Portfolio Approach</i> <u>Adelphe Ekponon</u>, <i>CERF Alumni Society (CERFAS), on Zoom</i></p> <p>Most papers, that study determinants of cryptocurrency prices, find no significant relation with existing market factors. In this paper, we use cross-sectional techniques to examine their price dynamics. Since Bitcoin, there has been a remarkable increase in the number of cryptocurrencies. Hence, investors have more choices when they decide to enter this market and, so, have an incentive to understand its interaction with their current investments, particularly in the cross-section. Using 110 cryptocurrencies based on their market capitalization, from September 2014 to June 2021, we study ten (10) factors that belong to three asset classes, i.e., equity, currency, and commodity. We find cryptocurrencies have a strong negative correlation with equity market returns (confirmed by a strong positive correlation with the VIX) and precious metals, in our cross-sectional regressions and portfolio sorting analysis. Our results highlight the influence of equity and precious metals on the cryptomarket. These novel findings show that cryptocurrencies have both investment and commodity functions. The currency function can also be detected from our results.</p>	
15.25-15.40	<p><i>Time-varying Value of Information Acquisition: Learning and Financial Decisions</i> <u>Shiqi Chen</u>, <i>Cambridge Judge Business School, CERF Research Associate, in-person</i></p> <p>This paper studies the costs and benefits of information acquisition and its influence on a firm's financial policies. Acquiring additional information improves learning about investment opportunities, thereby mitigating underinvestment, increasing borrowing, and encouraging higher</p>	

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	<p>payout. However, the acquisition cost can erode the benefits. The influence of cost is time-varying as the value of information increases (decreases) in bad (good) times. With dynamic learning, the firm responds to good and bad news differently, and its demand for information services becomes path-dependent. Moreover, increasing availability of public information can both crowd in and crowd out the firm's private information production incentives.</p>	
15.40-15.55	<p><i>The Gender Gap in Household Bargaining Power: A Portfolio-Choice Approach</i> <u>Weilong Zhang</u>, <i>Faculty of Economics, CERF Fellow</i></p> <p>When members of the same household have different risk preferences, whose preference matters more for investment decisions and why? We propose an intrahousehold model that aggregates individual preferences at the household level. This allows us to back out the distribution and determinants of bargaining power from household portfolio choice. We structurally estimate the model, analyze the determinants of bargaining power, and find a significant gender gap in bargaining power. While the gap is partially explained by gender differences in individual characteristics such as income and employment, it is also due to gender effects. These patterns hold broadly across Australia, Germany, and the US. We further link the distribution of bargaining power to perceived gender norms in the cross-section of households.</p>	
15.55-16.10	<p><i>Cultural Exception? The Impact of Price Regulation on Prices and Variety</i> <i>Christos Genakos, Cambridge Judge Business School, Grant holder, in-person</i></p> <p>Fixed book price (FBP) agreement is a form of resale price maintenance commonly applied to books in various EU countries and one of the most hotly debated regulations. FBP stipulates that the retail price of books is set, not by the retailer, but by the publisher of the book. By restricting retail price competition FBP's main objective is to promote book production variety. Yet, despite its popularity and application in many countries, there is no empirical evidence on its effects. We provide the first systematic evidence on the impact of FBP on book variety and prices using a detailed new dataset from Italy.</p>	
16.10-16.25	<p>Questions and Closing of the Cavalcade</p>	