Xun Zhong

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EDUCATION

Ph.D. in Finance, Fox School of Business, Temple University, May 2019 (expected)

M.S. in Economics, University of Illinois at Urbana-Champaign, December 2013

B.S. in Finance, University of Electronic Science and Technology of China, June 2012

B.S. in Electronic Engineering, University of Electronic Science and Technology of China, June 2012

RESEARCH INTERESTS

Empirical asset pricing, capital markets, investments, security analysts

WORKING PAPERS

"Do Characteristic-Based Asset Pricing Factors Represent Macroeconomic Shocks? A Machine Learning Analysis" (Job Market Paper)

"Information Aggregation and P-hacking", with Oleg Rytchkov

Resubmitted to *Management Science* (2nd round)

Presented at 2017 Midwest Finance Association Meeting, 2017 Financial Management Association Meeting, Acadian Asset Management*, University of Quebec in Montreal*, New Methods for the Cross Section of Returns Conference (co-organized by the Fama-Miller Center at Chicago Booth, EDHEC, and the Review of Financial Studies, scheduled)*

"Do Investors Appropriately Weight Analysts' Forecasts?", with Naveen Daniel and Lalitha Naveen

Presented at Temple Accounting Conference (2016)*, Drexel University*

Awarded 3rd Prize of First Year Research Competition, Fox School of Business, Temple University, 2015

"Insider Trading under Short Selling Pressure: An Incentive Based Story", with Chi Zhang

Presented at 2017 Southern Finance Association Meeting*

Awarded 2nd Prize of Second Year Research Competition, Fox School of Business, Temple University, 2016

"Source of Persistence of Analysts' Earnings Forecast Errors", with Rajiv Banker and Han-up Park

Presented at Temple Accounting Conference (2016)

* presented by a coauthor

TEACHING EXPERIENCE

Instructor

Financial Management (undergraduate level)

Spring 2018 (4.8 / 5.0)

Summer 2017 (4.8 / 5.0)

Teaching Assistant

Business Econometrics II (doctoral level), Professor Oleg Rytchkov, Spring 2018

Business Econometrics III (doctoral level), Professor Oleg Rytchkov, Fall 2017, 2018

Empirical Asset Pricing (doctoral level), Professor Oleg Rytchkov, Fall 2017

Honors Financial Management (undergraduate level), Professor Lalitha Naveen, 2014 - 2018

Seminar in Financial Management (undergraduate level), Professor Amir Shoham, 2014 - 2016

Teaching Award

Award for Excellence in Doctoral Teaching in the Business Administration Program, Temple University, 2018

Teaching Trainings

Fox PhD Summer Teaching Academy, Temple University, 2016

RESEARCH ACTIVITIES

Presentations

2017: Midwest Finance Association Meeting, Financial Management Association Meeting

2016: Temple Accounting Conference

Discussions

2017: Midwest Finance Association Meeting

2013: Midwest Finance Association Meeting

COMPUTER AND DATA SKILLS

Programming: Matlab, SAS, Stata

Databases: CRSP, COMPUSTAT, I/B/E/S, SDC

SCHOLARSHIPS, GRANTS, AND AWARDS

16th Young Scholar Interdisciplinary Forum Funding, Fox School of Business, Temple University, 2018

12th Young Scholar Interdisciplinary Forum Funding, Fox School of Business, Temple University, 2016

"High Pass" Achievement in the Ph.D. Program, Temple University, 2016 ($1000 award)

REFERENCES

Oleg Rytchkov (Chair)
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Gurdip S. Bakshi
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Lalitha Naveen
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ABSTRACTS OF WORKING PAPERS

"Do Characteristic-Based Asset Pricing Factors Represent Macroeconomic Shocks? A Machine Learning Analysis"

I explore whether the stochastic discount factors (SDFs) of five prominent characteristic-based asset pricing models represent macroeconomic shocks. I consider a comprehensive set of 131 macroeconomic variables and apply machine learning techniques to mitigate the overfitting problem. I find that the best combination of macroeconomic shocks can explain only a relatively small part of the variation in SDFs, and the whole set of macroeconomic shocks approximates the SDFs not better than only few shocks. Also, I investigate whether the theory-motivated factors such as a shock to intermediary capital ratio can proxy empirical SDFs and find that it does not fully subsume the explanatory power of the macroeconomic factors. Overall, my results suggest that behavioral factors and sentiment are important determinants of asset prices.

"Information Aggregation and P-hacking", with Oleg Rytchkov

This paper studies the interplay between information aggregation and p-hacking in the context of predicting stock returns. The standard information aggregation techniques exacerbate p-hacking by increasing the probability of the type I error. We propose an aggregation technique, which is a simple modification of 3PRF/PLS, with an opposite property: the predictability tests applied to the combined predictor become more conservative in the presence of p-hacking. Using simulations, we quantify the advantages of our approach relative to the standard information aggregation techniques. We also apply our aggregation technique to three sets of return predictors proposed in the literature and find that the forecasting ability of combined predictors in two cases cannot be explained by p-hacking.

"Do Investors Appropriately Weight Analysts' Forecasts?", with Naveen Daniel and Lalitha Naveen

Prior literature has documented cross-sectional variation in analyst forecast accuracy and persistence in such accuracy. If investors weight analyst forecasts appropriately, then a reasonable proxy for the market expectations regarding firm fundamentals (such as Sales and EPS) should be the accuracy-weighted average of all analyst forecasts ("Accurate Consensus") rather than the simple average of all analyst forecasts ("Naive Consensus").

Confirming the validity of Accurate Consensus, we find that Expectation Gap, which equals Accurate Consensus minus Naive Consensus, predicts the magnitude by which firms' reported numbers exceed Naive Consensus ("Naive Beat") but does not predict the magnitude by which firms' reported numbers exceed Accurate Consensus ("Accurate Beat"). If investors weight analyst forecasts appropriately, then the reaction to earnings announcements should be positively related to Accurate Beat and should be unrelated to the Naive Beat. However, we find that the market reaction to earnings announcement is positively related to both measures. Thus, it appears that while investors take analysts' accuracy into account when forming expectations, they do not weight it appropriately. We find that the announcement return is related more to Naive Beat in stocks with greater ownership by individual investors (who have greater difficulty processing data relative to institutional investors) and in stocks where the more accurate analysts do not have high visibility (causing even institutional investors to not weight forecasts appropriately). A trading strategy that exploits the predictive power of the Expectation Gap by trading in a 3-day window around earnings announcement generates risk-adjusted returns, which remain significant after transaction costs.

"Insider Trading under Short Selling Pressure: An Incentive-Based Story", with Chi Zhang

This paper investigates the trading activity of corporate insiders in the presence of high short selling pressure. Corporate insiders are stakeholders, who face the tradeoff between a demand for diversification when risk is high and an incentive to stabilize the stock price when it is subject to a strong downward pressure. Prior literature focuses on the former channel and studies the aggressive selling activities of corporate insiders under short selling pressure. In contrast, this paper provides evidence for the second channel, and shows that insiders also respond to an increase of short selling pressure by purchasing more shares of the firm. The potential excessive decline of stock price due to short selling pressure can damage insiders' personal interests and have harmful feedback effect on the firm's real operational performance. Insiders engage in such purchasing activity for the purpose of sending positive signal to investors and supporting the stock price. Consistent with the incentive-based story, the sensitivity of the purchasing activity of insiders to the short selling pressure is driven by the directors and top-executive officers whose interest is closely aligned with the firm performance. Moreover, this phenomenon is more pronounced for firms with better corporate governance and higher family-ownership.

"Source of Persistence of Analysts' Earnings Forecast Errors", with Rajiv Banker and Han-up Park

This paper examines a hypothesis that the persistence of errors in analysts' earnings forecasts is primarily caused by their imperfect understanding of the firms' cost behavior. Earnings are revenue minus costs, thus costs prediction plays an essential part in the process of earnings forecast. An analyst using incorrect cost model, either implicitly or explicitly, is likely to repeat the errors of costs predictions and thereby earnings forecasts. We find that the component of individual analyst's earnings forecast errors that is originated from their misunderstanding of costs i) is a substantial source of analysts' concurrent earnings forecast errors, ii) persists overtime by itself, and most importantly iii) explains the persistence of analysts' earnings forecast errors. Moreover, the results are stronger for firms with higher information uncertainty and operation complexity. In contrast, these effects do not hold to the same extent for alternative sources of forecast errors such as incorrect forecasting of revenue and imperfect incorporating of public information.