

Justin T. Vitanza

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Education

2009 - 2015 University of Rochester Simon School of Business, Rochester, NY
PhD, Major: Finance, Minor: Macroeconomics, GPA: 3.9, Qualifying Exam: 4.0, MSBA 2012

2003 - 2007 Cornell University, Ithaca, NY
BA, Majors: Economics, Mathematics, Minor: Law and Society

Journal Publications

Arteta, Carlos, Steven Kamin, and Justin Vitanza, "The puzzling peso," *Journal of International Money and Finance*, 30(8), 1814-1835, 2011

Abstract: In the past decade, some observers have noted an unusual aspect of the Mexican peso's behavior: During periods when the U.S. dollar has risen (fallen) against other major currencies such as the euro, the peso has risen (fallen) against the dollar. Very few other currencies display this behavior. In this paper, we attempt to explain the unusual pattern of the peso's correlation with the dollar by developing some general empirical models of exchange rate correlations. Based on a study of 29 currencies, we find that most of the cross-country variation in exchange rate correlations with the dollar and the euro can be explained by just a few variables. First, a country's currency is more likely to rise against the dollar as the dollar rises against the euro, the closer it is to the United States and the farther it is from the euro area. In this result, distance likely proxies for the role of economic integration in affecting exchange rate correlations. Second, and perhaps more surprisingly, a country's currency is more likely to exhibit this unusual pattern when its sovereign credit rating is more risky. This may reflect that currencies of riskier countries are less substitutable in investor portfolios than those of better-rated countries. All told, these factors well explain the peso's unusual behavior, as Mexico both is very close to the United States and has a lower credit rating than most industrial economies.

Basu, Sudipta, Justin Vitanza, and Wei Wang, "Asymmetric Loan Loss Provision Models," Forthcoming: *Journal of Accounting and Economics*

Large net loan charge-offs are frequently associated with large decreases in nonperforming loans and large increases in loan loss provisions, inducing a V-shaped relation between loan loss provisions and nonperforming loan changes. Failure to model the asymmetry attributable to net loan charge-offs can change inferences about the presence of earnings management and the effects of delayed loan loss recognition in prior papers that assumed linearity. Future researchers should either include net loan charge-offs in linear models of loan loss provisions or explicitly model the asymmetry induced by omitting net loan charge-offs.

Reviewed Publications

Eitelman, Paul and Justin Vitanza: "A non-random walk revisited: short- and long-term memory in asset prices," *International Finance Discussion Papers #956*

Abstract: In this paper, we test for short and long memory in asset prices across 44 emerging and industrialized economies. Using methodology from Lo and MacKinlay (1988) and Lo (1991), we find that markets with a poor Sharpe ratio are more likely to reject the random walk than better performing markets. We also make a methodological contribution. Contrary to the Baillie (1996) criticism, our long memory analysis suggests that the choice of a truncation lag is not as important as one might initially believe. Tests that reject the null hypothesis tend to do so across any reasonable choice in lag.

Working Papers

Informed trading in options markets and its information value

Abstract: In this paper, I present evidence that informed traders represent a large enough portion of option market activity to impact market prices. By entering the market on the long side before positive or negative events, they drive up both open interest and ask prices, while bid prices remain relatively stable. Seeing this pattern is indicative of either positive (when found in calls) or negative (for puts) future news announcements. When conditioning on these announcements, we also see that this pattern predicts return reactions. In particular, information embedded in option prices is useful in predicting earnings surprises and merger reactions. My primary measure of option information content is the change in the difference between implied volatility and realized daily volatility measured over the previous month. With hindsight, this difference rises prior to positive announcements for call options, while it rises prior to negative announcements for put options. This differential behavior provides strong evidence that these assets are not redundant in practice, as is often implied by option pricing models. Further, this information constitutes a primary risk factor in equity markets, as positive announcement risk is positively related to future returns due to the procyclicality of these announcements. Efficiently utilizing this information suggests a long-short trading strategy that yields over 1.2 percent per month. This strategy also completely explains the call-put volatility spread anomaly and is robust to controls for aggregate volatility sensitivity.

Walking the Walk? Bank ESG Disclosures and Home Mortgage Lending

We study the relation between banks' ESG disclosures and their home-mortgage-lending activities. We find that self-reported high-ESG banks issue less mortgages—in both raw numbers and dollar value—than low-ESG banks in poor neighborhoods. This lending disparity is found at both the county and census tract level and is greater among banks suffering negative publicity from past misdeeds. Our collective evidence supports a social wash motive for banks' ESG disclosures: banks deploy prosocial rhetoric and symbolic actions to compensate for (or mask) credit rationing in lower-income communities.

Research in Progress

Volatility smiles and their implications for expected returns

Implications of model misspecification on IV estimates

Investment under ambiguity

Research Interests

Banking, Asset Pricing, Systemic Risk, Structural Modeling

Conference Presentations

American Finance Association, Jan 2017, Discussant

American Finance Association, Jan 2018, Discussant

American Finance Association, Jan 2019, Presenter, Discussant

Financial Management Association, Oct 2019, Presenter

Journal of Accounting and Economics Conference, Nov 2019, Paper Acceptance

American Finance Association, Jan 2020, Presenter, Discussant

Eastern Finance Association, Apr 2021, Presenter, Discussant

Programming Skills

Advanced: MATLAB, Stata, Visual Basic

Proficient: C++, C#, EViews, FAME, HTML/CSS, Java, JavaScript, R, SAS

Courses Taught

Derivatives and Financial Risk Management, Commercial Credit Risk Analysis, International Finance, Introduction to Probability and Statistics

Work Experience

2017-Present	Temple University – Fox School of Business Assistant Professor
2015 - 2017	Federal Deposit Insurance Corporation Financial Economist
2012 - 2014	University of Rochester – Simon School of Business Lecturer
2012 - 2014	Sidecar Investments Data Manager and Investment Consultant
2007 - 2009	Board of Governors of the Federal Reserve, Division of International Finance Research Assistant
