

# Annual Report

# 2019

Centre for Finance  
University of Gothenburg



GÖTEBORGS UNIVERSITET



RESEARCH AND INNOVATION  
FOR SUSTAINABLE GROWTH

# Annual Report 2019

## Centre for Finance

University of Gothenburg

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## ***Research 2019 – Annual Report***

Centre for Finance research catalogue

University of Gothenburg, January 2020

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# 1. Research activities at CFF

## 1.1. Mission and Vision

In 2010 the Centre for Finance (CFF) received a grant from VINNOVA to establish one of Sweden's three new research centers within finance. The Centre is also financed by the business community, the University of Gothenburg and the School of Business, Economics and Law.

**CFF's mission** is to contribute to a sustainable financial system through:

- Excellent research focusing on financial intermediation, specifically the interaction between financial institutions and business/households.
- An open and creative multidisciplinary research environment.
- Close interaction with practitioners, education and society at large.

**CFF's vision** is to advance the understanding and practice of financial intermediation and to be the leading Nordic research center in this field, with expertise in great demand. It is also to be a highly regarded and exciting arena for collaboration among researchers, students, financial practitioners and policy makers.

## 1.2. Highlights 2019

### **The Second Marstrand Finance Conference**

Together with CFF's International Scientific Advisory Board, the Centre organized a second conference on Marstrand June 8-10. The academic program was of very high quality with e.g. a keynote speech by Christa Bouwman, Texas A&M University, and the conference venue, Villa Maritime, provided a stimulating and relaxing environment. See complete program in section 5.

### **External Funding**

CFF researchers have secured several external research grants during the year. Adam Farago and Erik Hjalmarsson received SEK 5.8 million from Marianne och Marcus Wallenbergs Stiftelse for the project "Properties of long horizon asset returns". Erik Hjalmarsson, Adam Farago, and Marcin Zamojski received SEK 2.3 million from Handelsbanken Research Foundations for their project "Dynamic Machine Learning in Finance and Compound Returns". Alexander Herbertsson received SEK 210000 from Nasdaq OMX for the project "Risk management of central counterparties". Finally, CFF researchers, together with environmental economists, secured a SEK 10 million grant from Länsförsäkringar (insurance company) for the research program "Climate policy and financial markets".

### **Conference on "Culture and Governance in Banking"**

The Centre, in cooperation with Handelsbanken and the independent saving banks, organized a conference on "Culture and Governance in Banking". The conference brought together academics and practitioners to discuss how ethics, culture and corporate governance have evolved in banking since the financial crisis. One theme during the conference was money laundering.

The speakers were Anjan Thakor, Washinton University in St. Louis, Henrik Erlingsson, Head of Fraud and AML Investigation and Monitoring at Handelsbanken, Nicklas Lundh, Head of the Swedish Financial Intelligence Unit (Finanspolisen), Swedish Police Authority, and Renee Adams, University of Oxford.

## 2. Published works during 2019

### Journal articles

Calice, G. and **M. Zeng**. 2019. The Term Structure of Sovereign CDS and the Cross-section of Exchange Rate Predictability. *International Journal of Finance & Economics*, Forthcoming.

Calice, G., L. Kutlu, and **M. Zeng**. 2019. Understanding US Firm Efficiency and Its Asset Pricing Implications. *Empirical Economics*, Forthcoming.

**Fang, D.**, T. Noe, and P. Strack. 2019. Turning Up the Heat: The Discouraging Effect of Competition in Contests. *Journal of Political Economy*, Forthcoming. DOI: 10.1086/705670

**Farago, A.** and **E. Hjalmarsson**. 2019. Stock Price Co-Movement and the Foundations of Pairs Trading. *Journal of Financial and Quantitative Analysis* 54, 629-665.

**Gärling, T.**, **D. Fang**, and **M. Holmen**. 2019. Review of behavioral explanations of how rank-based incentives influence risk taking by investment managers in mutual fund companies. *Review of Behavioral Finance*, Forthcoming. DOI: 10.1108/RBF-01-2019-0013

**Gärling, T.**, P. Michaelsen, and **A. Gamble**. 2019. Young adults' borrowing to purchases of desired consumer products related to present-biased temporal discounting, attitude towards borrowing, and financial involvement and knowledge. *International Journal of Consumer Studies*, Forthcoming. DOI: 10.1111/ijcs.12552

**Hjalmarsson, E.** and P. Österholm. 2019. A Micro-Data Analysis of Households' Expectations of Mortgage Rates. *Economics Letters* 185.

**Mavruk, T.** 2019. Do Men Outperform Women in Finance Classes? *Journal of International Business Education* 14.

**Mavruk, T.**, **C. Overland, C.**, and **S. Sjögren**. 2019. Keeping it real or keeping it simple? Ownership concentration measures compared. *European Financial Management*, Forthcoming.

### Books

**Elliot, V.**, A. K. Stockenstrand, and R. Söderström. (2019). *Bankboken: Hur banker fungerar, drivs och regleras*. Studentlitteratur, Lund.

**Hauff Carlsson, J.**, **T. Gärling**, and **T. Lindblom**. 2019. *Indebtedness in early adulthood – Causes and Remedies*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, Edited book.

### Book Chapters

**Elliot, V., T. Lindblom**, and M. Willeson. 2019. The impact of recent regulatory reforms on Cross-border banking: A study of the Nordic markets. In Gualandri, E., V- Venturelli and A. Scilp (Eds). *Frontier topics in Banking. Investigating New Trends and Recent Developments in the Financial Industry*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, 293–319.

**Elliot, V. and T. Lindblom**. 2019. Indebtedness, over-indebtedness and wellbeing. In Hauff Carlsson, J., T. Gärling and T. Lindblom (Eds). *Indebtedness in early adulthood – Causes and Remedies*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, 21–48.

**Elliot, V. and T. Lindblom**. 2019. Toward soundness in provision of credits and loans to young adults. In Hauff Carlsson, J., T. Gärling and T. Lindblom (Eds). *Indebtedness in early adulthood – Causes and Remedies*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, 153–175.

**Elliot, V.**, J. Hedqvist, B. Nordström, and L. Silén. (2019). Regelutvecklingen från Basel I till Basel IV och Finansinspektionens relation till svenska sparbanker. In *Finansiell Reglering och Tillsyn*. Studentlitteratur, Lund.

**Hauff Carlsson, J., T. Gärling and T. Lindblom**. 2019. Why study young adults' indebtedness. In Hauff Carlsson, J., T. Gärling and T. Lindblom (Eds). *Indebtedness in early adulthood – Causes and Remedies*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, 3–20.

**Hauff Carlsson, J., T. Lindblom** and J. Nilsson. 2019. The loan market – the Swedish example. In Hauff Carlsson, J., T. Gärling and T. Lindblom (Eds). *Indebtedness in early adulthood – Causes and Remedies*, Cham, Switzerland, Palgrave Macmillan, Springer Nature, 49–61.

### **3. Presentations at international scientific conferences, symposiums ,workshops etc, 2019**

Elliot, V. Wolpertinger Annual Conference, Ca' Foscari University, Venice, Italy, August 28-30.

Paper: *Bank liquidity management and regulatory arbitrage.*

Elliot, V. 2019 IPSERA Conference, Milano, May 14-17.

Paper: *Supply chain finance in not for everyone - Are logistics service providers willing to advance supply chain finance?*

Elliot, V. Annual Conference of AEDBF Italy, Milano.

Paper: *Machine Ethics in Finance.*

Fang, D. American Economic Association Annual Meeting (poster session), Atlanta, January 4-6.

Paper: *Less Competition, More Meritocracy?*

Fang, D. Invited seminar at the Stockholm University, Stockholm, February 11.

Paper: *Less Competition, More Meritocracy?*

Fang, D. Econometric Society Asian Meeting, Xiamen, June 14-16.

Paper: *Less Competition, More Meritocracy?*

Fang, D. SAET, Ischia, June 30-July 6.

Paper: *Less Competition, More Meritocracy?*

Fang, D. Invited seminar at the University of Bern, Bern, October 2.

Paper: *Does the Cream Rise to the Top? Luck, Talent, Success, and Merit*

Fang, D. International Industrial Organization Conference, Boston, April 5-7.

Paper: *Market Structure and the Speed of R&D*

Farago, A. Invited seminar at the City University of Hong Kong, Hong Kong, April 18.

Paper: *Compound Returns*

Farago, A. 17<sup>th</sup> Paris December Finance Meeting, Paris, December 19.

Paper: *Compound Returns*

Gärbling, T. Behavioral Finance Working Group Conference, Queen Mary University of London, June.

Paper: *Fast and slow investments in asset markets: Influences on risk taking.*

Herbertsson, A. 9th General AMaMeF Conference, Paris, France, June 11.

Paper: *Dynamic hedging of CDS index options in Markov chain models*

Herbertsson, A. Vienna Congress on Mathematical Finance - VCMF 2019, Vienna, Austria, September 10.

Paper: *Dynamic hedging of CDS index options in Markov chain models*



Hjalmarsson, E. Quantitative Finance and Financial Econometrics (QFFE) Conference, Marseille, June.  
Paper: *Compound Returns*.

Hjalmarsson, E. 13th Int. Conf. on Computational and Financial Econometrics (CFE), London, December.  
Paper: *Testing Return Predictability with the Dividend-Growth Equation: An Anatomy of the Dog*.

Hjalmarsson, E. Invited seminar at Sveriges Riksbank, October.  
Paper: *Heterogeneity in Households' Expectations of Mortgage Rates and Housing Prices – Evidence from Micro Data*.

Hjalmarsson, E. Invited seminar at the University of Cambridge, January.  
Paper: *Compound Returns*.

Holmen, M. FMA Annual European Meeting, Glasgow, June 12-14.  
Paper: *Category Changes Matter: Morningstar Ratings and Mutual Fund Flows Revisited*

Holmen, M. Invited seminar at the University of Groningen, The Netherlands, December 3.  
Paper: *Cognitive Skills and Economic Preferences in the Fund Industry*

Holmen, M. Invited seminar at the Oslo Metropolitan University, November 21.  
Paper: *Cognitive Skills and Economic Preferences in the Fund Industry*

Lindblom, T. Wolpertinger Annual Conference, Ca' Foscari University, Venice, Italy, August 28-30.  
Paper: *In Search of Stability: Debt Collection Orders and Consumer Debt Overhang*

Overland, C. 11<sup>th</sup> Workshop of the Nordic Corporate Governance Network, Oslo, November 1-2.  
Paper: *Employee representatives and employee-related disclosures: A study of the implementation of the non-financial reporting regulation in Sweden*

Overland, C. 11<sup>th</sup> Workshop of the Nordic Corporate Governance Network, Oslo, November 1-2.  
Paper: *Management and auditor disclosures of significant accounting estimates*

Sjögren, S. Strategies and Policies for an Innovative Economic, Magnolia, Habitat Centre, New Delhi, India, November 21.  
Paper: *Firms' cross-border patenting*

Sjögren, S. Wolpertinger Annual Conference, Ca' Foscari University, Venice, Italy, August 28-30.  
Paper: *Collusion and Licensing in Oligopolies with Linear Marginal Costs*

Zamojski, M. Workshop on score-driven time series models, Cambridge, March 27-29.  
Paper: *Self-driving score filters*

Zamojski, M. 6th annual conference of the International Association for Applied Econometrics, Nicosia, June 25-28.  
Paper: *Dynamic Term Structure Models with Score-Driven Time-Varying Parameters: Estimation and Forecasting*

Zhang, J. 1st Financial Management & Accounting Research Conference, Limassol, April 15 2019.  
Paper: *CEO Compensation, Asymmetry and the Allocation of Managerial Effort to Macroeconomic Fluctuations*

## 4. New Working Papers 2019

Beccalli, E., **V. Elliot**, and F. Virili. Machine Ethics in Finance. Manuscript, Centre for Finance, University of Gothenburg.

**Elliot, V.**, M. Paananen, and M. Staron. Artificial Intelligence for Decision Makers. Manuscript, Centre for Finance, University of Gothenburg.

**Elliot, V.**, J. Marton, A-K. Stockenstrand, R. Söderström, M. Wendschlag, and P. Öhman. National implications of EU harmonization - The case of banks' reporting requirements in Sweden. Manuscript, Centre for Finance, University of Gothenburg.

**Farago, A.** and **E. Hjalmarsson**. Compound Returns. Working Papers in Economics, University of Gothenburg, Department of Economics.

**Farago, A.**, **M. Holmen**, F. Holzmeister, **M. Kirchler**, and M. Razen. Cognitive Skills and Economic Preferences in the Fund Industry. Working Papers in Economics and Statistics, University of Innsbruck.

**Fang, D.** and T. Noe. Does the Cream Rise to the Top? Luck, Talent, Success, and Merit. Manuscript, Centre for Finance, University of Gothenburg.

**Gärling, T.**, **D. Fang**, **M. Holmen**, and P. Michaelsen. Fast and slow investments in asset markets: Influences on risk taking. Manuscript, Centre for Finance, University of Gothenburg.

**Gärling, T.**, **D. Fang**, **M. Holmen**, and P. Michaelsen. Financial risk taking related to individual risk preference, social comparison, and competition. Manuscript, Centre for Finance, University of Gothenburg.

**Hjalmarsson, E.**, and **T. Kiss**. Long-run Predictability Tests are Even Worse than You Thought. Manuscript, Centre for Finance, University of Gothenburg.

**Hjalmarsson, E.** and P. Österholm. Heterogeneity in Households' Expectations of Mortgage Rates and Housing Prices – Evidence from Micro Data. Manuscript, Centre for Finance, University of Gothenburg and Sveriges Riksbank Working Paper Series No. 383.

Holzmeister, F., **M. Holmen**, **M. Kirchler**, M. Stefan, and E. Wengström. Delegated Decision Making in Finance. Manuscript, Centre for Finance, University of Gothenburg.

Horton, J., **T. Mavruk**, and M. Paananen. Does golf club membership influence herding behaviour and portfolio performance? Manuscript, Centre for Finance, University of Gothenburg.

**Lindblom, T.**, **A. Mallios**, and **S. Sjögren**, *Collusion and Licensing in Oligopolies with Linear Marginal Costs*, Manuscript, Centre for Finance, University of Gothenburg.

Maio, P. and **M. Zeng**. On the Driving Forces of Real Exchange Rates: Is the Japanese Yen Different?  
Manuscript, Centre for Finance, University of Gothenburg.

## 5. CFF Seminars and Conferences 2019

### Research seminars 2019

Doron Sonsino (Ben-Gurion University)

*"The willingness to accommodate small losses for worthy structured gains - experimental evidence"*

Day: February 21

Bernd Schwaab (ECB)

*"Risk endogeneity at the lender/investor-of-last-resort"*

Day: March 7

[Read paper](#)

Joel Hasbrouck (NYU)

*"Price discovery in high resolution"*

Day: March 21

[Read paper](#)

Noah Lim (NUS)

*"Examining Salesperson Effort Allocation in Teams: A Randomized Field Experiment"*

Day: April 11

[Read paper](#)

Thomas Noe (Oxford University)

*"Ownership Structure, Reputation Crises and Recovery: Theory and Experiment"*

Day: May 2

[Read paper](#)

Daniel Paravasini (LSE)

*"Deposit Withdrawals"*

Day: September 19

[Read paper](#)

Ming Zeng (CFF)

*"Equilibrium Trend and Cycles in Equity and Bond Yields"*

Day: September 26

Julien Penasse (Luxembourg)

*"Understanding Alpha Decay"*

Day: October 3

[Read paper](#)

Dawei Fang (CFF)

*"Does the cream rise to the top? Luck, talent, success, and merit"*

Day: October 10

[Read paper](#)

Guofo Zhou (Washington U in St Louis)

*"Factor Models: Limitations and Extensions"*

Day: October 17

Read paper [1](#) and [2](#)

Eric Renault (University of Warwick)

*"Identification-Robust Inference for Risk Prices in Structural Stochastic Volatility Models"*

Day: November 7

Pawel Gola (BI Norwegian Business School)

*"On the Importance of Social Status for Labour Markets"*

Day: November 14

[Read paper](#)

Andras Fulop (ESSEC)

*"Real-Time Macro Information and Bond Return Predictability: Does Deep Learning Help?"*

Day: November 21

Magnus Dahlquist (SSE)

*"Hedge Funds and Financial Intermediaries"*

Day: November 28

[Read paper](#)

# Seminars 2019

**"Vostok New Ventures a vehicle for active ownership in markets with low transparency and weak governance but high returns"**

with Per Brilioth, CEO Vostok New Ventures Ltd

Date: Wednesday March 20

**"Smart Eye Driver Monitoring in Self-driving Cars"**

with Martin Krantz, CEO Smart Eye AB

Date: Wednesday September 18

**"Kambi, Sportsbetting & more"**

with Jonas Jansson, COO Kambi

Date: Wednesday September 25

**"Vad kan vi lära oss av skandalerna kring Skandia, Prosovia, HQ och SCA?"**

med Dan Brännström

Dag: onsdag oktober 9

**"Pricing of shares and governance issues related to take-over bids"**

with Rolf Skog & Erik Lidman

Date: October 16

**"Hur man utvecklar och hittar talanger"**

med Fredrik Hillelson, CEO Novare

Dag: onsdag oktober 23

**"Financing Scandinavian Industry"**

with Jan Petter Sissener, CEO Sissener A/S

Date: Wednesday November 6

**"AI and Machine learning disrupting old school regulations"**

with Lena Apler, Chairman Collector

Date: Wednesday December 11