

Weinan Zheng

Room 1122, K.K.L Building, The University of Hong Kong

+852 5547 5290, zhengwn@connect.hku.hk

Website: <https://www.weinanzheng.com/>

Education

Ph.D. in Finance, The University of Hong Kong	2016-Present
M.A. in Environmental Management, Duke University	2015
B.A. in Management, Renmin University of China	2013

Research Interest

Empirical Asset Pricing, Financial Institutions, Financial Markets, Fintech

Publications/Forthcoming Articles

“**The Invisible Burden**” (with Xin Liu and Chengxi Yin), *Journal of Financial Markets* (forthcoming)

We study the role of goodwill, an important form of intangible assets arising from merger and acquisitions (M&As), on asset pricing. We find that goodwill-to-sales strongly and negatively predicts the cross-section of U.S. stock returns, especially among firms with cross-industry M&As and firms with overconfident CEOs. It remains an economically and statistically significant predictor of stock returns after adjustment for common factors. Our results suggest that goodwill-to-sales subsumes information on firm value, and stock markets underreact to this information because the fair value of goodwill is unobservable and hard to evaluate.

Presentations: FMA AP (2019), FMA European (2019), British Accounting and Finance Association Annual Conference (2019), BFWG at Queen Mary University of London (2019), University of Bath, The University of Hong Kong

Working Papers

“**Less is More: How Corporate Bond Mutual Funds Signal Their Abilities**” (Job Market Paper)

I provide a model to illustrate that when the abilities of fund managers are unobservable, high-skill mutual fund managers can signal their ability by taking on extra investment risk. This practice is more costly for low-skill fund managers, and thus they do not mimic it. Consistent with the model predictions, I find that some U.S. corporate bond mutual funds intentionally remain silent on risk-related goals in their prospectuses, and the alpha of those funds is higher than that of their peers. In addition, high-skill funds have higher exposures to indexes with higher risk level. The signaling practice of high-skill funds influences the choices of investors. Specifically, investors with high risk aversion concentrate on low-skill funds, which could exacerbate the fragility of low-skill funds and distort incentives for high-skill funds. Empirically, I find that investors of low-skill funds are more sensitive to bad performance and that high-skill funds are more likely to misreport to Morningstar to boost performance and attract fund flows.

Presentations: EFA (2021) (Scheduled), The University of Hong Kong, Victoria University of Wellington, Reading University, Deakin University, Bath University, University of Edinburgh, Wuhan University, Shenzhen University, Caixin Finance Ph.D. Forum

“Information Asymmetry, Price Informativeness and Cost of Capital”

This paper examines the relationship between two important financial variables (price informativeness, and cost of capital) and information asymmetry, controlling for the total amount of information in the market. In the model, each investor has a private signal. We measure information asymmetry by the dispersion of the precision of the private signals. By doing so, we can isolate the effect of the total amount of information and focus on the influence of information asymmetry. We show that without the non-learnable component in the asset payoff (residual uncertainty) or transaction cost, information asymmetry will not affect the cost of capital and price informativeness, which is consistent with Lambert and Verrecchia (2015). In contrast, with residual uncertainty or transaction cost, an increase in information asymmetry will decrease price informativeness and increase the cost of capital, even in a fully competitive market. Our results highlight the importance for regulators of alleviating information asymmetry to improve market efficiency.

“Substitution between Short Selling and Options Trading in Predicting Aggregate Stock Returns” (with Shiyang Huang and Tse-Chun Lin)

Splitting stocks into groups with and without options trading, we find that only the aggregate short interest index constructed by the stocks without options trading predicts market returns in both in-sample and out-of-sample tests. The return predictability is up to six months and does not revert. Similarly, when splitting stocks into groups based on short selling risks, we find only the aggregate option implied volatility spread constructed by the stocks with higher short selling risks predicts market returns. Overall, our results show that there exists a substitution effect between short selling and options trading in predicting aggregate stock returns. This substitution effect could explain the phenomena that aggregate short interest does not predict market returns in recent years, given the rapid development of the options market.

Presentations: SFS Cavalcade AP (2019), International Conference of Taiwan Finance Association (2019), The University of Hong Kong, University of Bath, Nankai University, University of International Business and Economics

“Aggregate Opportunistic Insider Trading and Market Return Predictability” (with Shiyang Huang and Tse-Chun Lin)

By excluding routine insider trades, we construct an aggregate opportunistic insider trading index and find that it positively predicts future market returns in both in-sample and out-of-sample tests. A one-standard-deviation increase in the index is associated with a 0.52% increase in S&P 500 excess returns in the next month. Moreover, a mean-variance investor has a utility gain of 332 basis points annually when using the index to time the market. The index predicts market returns up to four months, and the return prediction does not revert afterward. Finally, the index predicts macroeconomic fundamentals, such as GDP growth.

Presentations: FMA (2019), BAFA Annual Conference (2019), International Conference of Taiwan Finance Association (2019), FMA 2019 European (2019), FMA Applied Finance Conference (2018), The University of Hong Kong, Renmin University of China

“The Term Structure of Mutual Fund Herding” (with Xin Liu)

This paper investigates herding behaviors in U.S treasury markets. We document novel evidence that mutual funds exhibit strong herding behaviors on trading long-term treasuries. This “term-structure” herding is only pronounced for buy herding, not sell herding. The relationship between herding and time-to-maturity is stronger for funds with high fund flow volatility. Such behaviors also exist for Treasury Inflation Protected Securities (TIPS) and for treasuries with both high and low coupon rates, suggesting that herding is not driven by correlated inflation expectations. Similar results are obtained for investment-grade corporate bonds as well. Overall, our results suggest that mutual funds’ short investment horizons contribute to the term-structure herding behaviors in the bond markets.

Conferences and Seminars

2021: EFA (Scheduled)

2020: The University of Hong Kong, Nankai University, Victoria University of Wellington, Reading University, Deakin University, Bath University, University of International Business and Economics, University of Edinburgh, Caixin Finance Ph.D. Forum, Wuhan University

2019: SFS Cavalcade AP, FMA, BAFA Annual Conference, FMA AP, FMA European, International Conference of Taiwan Finance Association, BFWG at Queen Mary University of London, The University of Hong Kong

2018: FMA Applied Finance Conference, The University of Hong Kong, Bath University, Renmin University of China

Teaching Experience

Teaching Assistant

International Macroeconomics (The University of Hong Kong)

Econometrics (The University of Hong Kong)

Statistics (Duke University)

References

Assistant Professor Shiyang Huang

Business School, The University of Hong Kong

Phone: +852-3917-8564

Email: huangsy@hku.hk

Professor Tse-Chun Lin

Business School, The University of Hong Kong

Phone: +852-3910-2157

Email: tsechunlin@hku.hk

Professor Tingjun Liu

Business School, The University of Hong Kong

Phone: +852-2857-8512

Email: tjliu@hku.hk

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