

# PACIFIC-BASIN FINANCE JOURNAL (PBFJ) SPECIAL ISSUE CONFERENCE 2023

18-19 May 2023

M1603, 16/F, Li Ka Shing Tower

The Hong Kong Polytechnic University



## **The Hong Kong Polytechnic University School of Accounting and Finance**

The School of Accounting and Finance (AF) of The Hong Kong Polytechnic University (PolyU) has long been established as a leading provider of tertiary education in accounting. AF is the first local higher education institution that offers honours degree programmes in accountancy and has nurtured scores of professionals for Hong Kong since the 1960s. Faculty members bring a great wealth of teaching and research experience to AF and have transferred interdisciplinary knowledge across areas such as accounting, finance, economics and law for decades.

AF endeavours to fulfil The Hong Kong Polytechnic University's pledge of "Opening Minds • Shaping the Future". Placing equal emphases on research and practice, AF provides students with both professional knowledge and internship opportunities. According to EduRank, AF ranked second in accounting and third in finance in Hong Kong. Both subjects also ranked fourth in Asia. The ranking reaffirms the excellence of the School's international academic and research standards.





# PACIFIC-BASIN FINANCE JOURNAL (PBFJ) SPECIAL ISSUE CONFERENCE

To commemorate the 30<sup>th</sup> anniversary of the landmark seminal paper “Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency” by Sheridan Titman and Narasimhan Jegadeesh, the Pacific-Basin Finance Journal (PBFJ) Special Issue Conference will be held at The Hong Kong Polytechnic University on 18 and 19 May 2023.

Titman and Jegadeesh will deliver a keynote speech that offers participants a retrospective look at their 1993 paper as well as new insights thereafter. Distinguished speakers from the Asia-Pacific and the US will be invited to present papers that focus on empirical asset pricing in their own countries/regions. Presented papers will be published in the PBFJ’s special issue after the conference.

## **Organising Committee**

Sheridan Titman, The University of Texas at Austin

John Wei, The Hong Kong Polytechnic University

Andy Chui, The Hong Kong Polytechnic University



**KEYNOTE TITLE**  
**MOMENTUM: EVIDENCE AND INSIGHTS**



**Narasimhan Jegadeesh**

*Dean's Distinguished Chair of Finance,  
Emory University*

Narasimhan Jegadeesh is the Dean's Distinguished Chair in Finance at the Goizueta Business School. He has also been on the faculty at the University of Illinois at Urbana-Champaign and the University of California at Los Angeles. He has published extensively in the Journal of Finance, the Journal of Financial Economics, the Review of Financial Studies and other leading academic finance journals. His research has been discussed in several publications including Businessweek, The Economist, Forbes, Kiplinger's Personal Investments, Money, New York Times, and Smart Money.



**Sheridan Titman**

*Walter W. McAllister Centennial Chair  
in Financial Services  
The University of Texas at Austin*

Sheridan Titman is the director of the Energy Management and Innovation Center at UT. His research interests include both investments and corporate finance, and he has published and consulted in both of these areas. He currently blogs on energy policy from a financial economist's perspective. Having co-authored a leading advanced corporate finance textbook entitled "Financial Markets and Corporate Strategy", he has served on the editorial boards of leading academic journals. He is a past director of the American Finance Association and a current director of both the Asia Pacific Finance Association and the Western Finance Association.

Time allocation:

Keynote (1 hour): 45 minutes for presenter, 15 minutes for Q&A

Each paper (45 minutes): 20 minutes for presenter, 15 minutes for discussant, 10 minutes for Q&A

## DAY 1: 18 MAY (THURSDAY)

Master of Ceremonies: **Timothy Chue**, The Hong Kong Polytechnic University

Session Chair (Morning Session): **Tao Shu**, The Chinese University of Hong Kong, Shenzhen

Time	Event
0900-0905	Welcome Remarks <b>Nancy Su</b> , The Hong Kong Polytechnic University
0905-1005	Keynote Speech: <b>Momentum: Evidence and Insights</b> Presenters: <b>Narasimhan Jegadeesh</b> , Emory University and <b>Sheridan Titman</b> , The University of Texas at Austin
1005-1050	Paper 1: <b>Factors and Anomalies in the Vietnamese Stock Market</b> Presenter: <b>Tao Shu</b> , The Chinese University of Hong Kong, Shenzhen Discussant: <b>Bing Han</b> , University of Toronto
1050-1110	Tea Break
1110-1155	Paper 2: <b>Market Efficiency of the Indonesian Stock Market</b> Presenter: <b>Chishen Wei</b> , The Hong Kong Polytechnic University Discussant: <b>Jiantao Huang</b> , The University of Hong Kong
1155-1240	Paper 3: <b>Resurrecting CAPM: A Case of Data-Mining across International Markets</b> Presenter: <b>Khoa Hoang</b> , University of Queensland Discussant: <b>Liyao Wang</b> , Hong Kong Baptist University
1240-1415	Lunch (Ju Yin House Seafood Restaurant 聚賢樓, 4/F, Communal Building, PolyU)



Session Chair (Afternoon Session): **Jie Jay Cao**, The Hong Kong Polytechnic University

Time	Event
1415-1500	Paper 4: <b>The Return Predictability of Carbon Emissions: Evidence from Hong Kong and Singapore</b> Presenter: <b>Xintong Zhan</b> , Fudan University Discussant: <b>Yan Xu</b> , The University of Hong Kong
1500-1545	Paper 5: <b>Momentum and Individual Investor Trades: Evidence from Singapore</b> Presenter: <b>Allaudeen Hameed</b> , National University of Singapore Discussant: <b>Jing Zhao</b> , The Hong Kong Polytechnic University
1545-1605	Tea Break
1605-1650	Paper 6: <b>Extreme Illiquidity and Stock Returns: Evidence from Thailand Market</b> Presenter: <b>Xi Chen</b> , Shenzhen University Discussant: <b>Darwin Choi</b> , The Chinese University of Hong Kong
1650-1735	Paper 7: <b>Comparing Competing Factor and Characteristics Models: Evidence in Japan</b> Presenter: <b>Kuan-Cheng Ko</b> , National Chi Nan University Discussant: <b>Te-Feng Chen</b> , The Hong Kong Polytechnic University
1735-1800	Remarks by PBFJ Editor-in-Chief <b>Robert Faff</b> , Bond University
1830	Dinner (Regal Court 富豪軒, 2/F, Regal Kowloon Hotel, 71 Mody Road, Tsim Sai Tsui)

## DAY 2: 19 MAY (FRIDAY)

**Master of Ceremonies:** Timothy Chue, The Hong Kong Polytechnic University  
**Session Chair (Morning Session):** Yuan Li, Aarhus University

Time	Event
0900-0945	Paper 8: <b>Momentum in Machine Learning: Evidence from the Taiwan Stock Market</b> Presenter: <b>Dien Giau Richard Bui</b> , Yuan Ze University Discussant: <b>Wenxi Griffin Jiang</b> , The Chinese University of Hong Kong
0945-1030	Paper 9: <b>February, Share Turnover, and Momentum in China</b> Presenter: <b>Yuan Li</b> , Aarhus University Discussant: <b>Lei Zhang</b> , City University of Hong Kong
1030-1050	Tea Break
1050-1135	Paper 10: <b>Expectation Disarray</b> Presenter: <b>Xiaolei Laura Liu</b> , Peking University Discussant: <b>Ling Cen</b> , The Chinese University of Hong Kong
1135-1220	Paper 11: <b>The Bright and Dark Sides of Minority Shareholder Protection: Evidence from The Separate Vote Counts Disclosure Rule in China</b> Presenter: <b>Po-Hsuan Paul Hsu</b> , National Tsinghua University Discussant: <b>Yan Xiong</b> , The Hong Kong University of Science and Technology
1220-1400	Lunch (Ju Yin House Seafood Restaurant 聚賢樓, 4/F, Communal Building, PolyU)

**Session Chair (Afternoon Session):** Yu-Jane Liu, Peking University

1400-1445	Paper 12: <b>Is Long-Term Relationship Being Exploited in Financial Advisory?</b> Presenter: <b>Yu-Jane Liu</b> , Peking University Discussant: <b>Hong Xiang</b> , The Hong Kong Polytechnic University
1445-1530	Paper 13: <b>Momentum and Liquidity: Indian Evidence</b> Presenter: <b>Abhishek Kumar Rohit</b> , T A Pai Management Institute, Bangalore Discussant: <b>Linti Zhang</b> , The Hong Kong Polytechnic University
1530-1540	Closing Remarks <b>John Wei</b> , The Hong Kong Polytechnic University



## PAPER ABSTRACTS

### PAPER 1

---

## Factors and Anomalies in the Vietnamese Stock Market

#### Authors:

**Xiangqian Huang**, The Chinese University of Hong Kong, Shenzhen - School of Management and Economics

**Clark Liu**, Tsinghua University - PBC School of Finance

**\*Tao Shu**, The Chinese University of Hong Kong, Shenzhen - School of Management and Economics

*\*Presenter*

#### Abstract:

We conduct a comprehensive analysis of factors and anomalies in the Vietnamese stock market and propose a new factor model that can effectively account for most anomalies in Vietnam. Our analysis indicates that the size effect is significant in Vietnam, and the earnings-to-price (EP) is more effective than book-to-market in capturing the value effect in Vietnam. Furthermore, we find that a three-factor model, which includes a market factor, a size factor, and an EP factor (the VN-3 model), outperforms the Fama-French three-factor model, but still leaves significant alphas for many anomalies. To enhance the explanatory power of the model, we construct a Vietnamese four-factor model (the VN-4 model), which incorporates a factor based on twelve-month turnover into the VN-3 model. We find that the VN-4 model effectively explains most of the anomalies observed in the Vietnamese market.

JEL Classification: G12, G14, G15

Keywords: Vietnamese four-factor model, the VN-4 model, Vietnamese stock market, factors, anomalies, turnover

### PAPER 2

---

## Market Efficiency of the Indonesian Stock Market

#### Authors:

**Nanqi Li**, The Hong Kong Polytechnic University - School of Accounting and Finance

**\*Chishen Wei**, The Hong Kong Polytechnic University - School of Accounting and Finance

**Linti Zhang**, The Hong Kong Polytechnic University - School of Accounting and Finance

*\*Presenter*

#### Abstract:

This paper evaluates the market efficiency of the Indonesia stock market. We find that firm size generates a large premium and subsumes various measures of value. Firm size also subsumes other anomalies including illiquidity and turnover. CAPM beta and momentum do not generate excess returns. We also conduct an event study around stock splits. We observe a significant stock price increase on the announcement and ex-date, but subsequently the stock price drops below pre-announcement levels.

JEL Classification: G12, G14

Keywords: size effect, value premium; stock market anomalies, emerging stock market, factor models

## PAPER 3

### Resurrecting CAPM: A Case of Data-Mining across International Markets

#### Authors:

\***Khoa Hoang**, University of Queensland - UQ Business School

**Ronghong Huang**, University of Queensland - UQ Business School

**Helen Truong**, University of Queensland - UQ Business School

*\*Presenter*

#### Abstract:

In this paper, using the stepwise model selection method proposed by Harvey and Liu (2021), we study whether anomalies can explain the cross-sectional individual stock returns in 38 countries for the period between 1992 and 2018. Among the 95 anomalies examined, we document the following results: (1) the market factor is the single most dominant factor in explaining the cross-sectional equity returns both on individual and portfolio levels; (2) local, regional and global market factors are equally useful; (3) the dominant role of the market factor, regardless whether it is the local, regional, or global version, is concentrated in Federal Open Market Committee (FOMC) months. Collectively, the results support the integrated capital asset pricing model.

## PAPER 4

### The Return Predictability of Carbon Emissions: Evidence from Hong Kong and Singapore

#### Authors:

**Jie Jay Cao**, The Hong Kong Polytechnic University – School of Accounting and Finance

\***Xintong Eunice Zhan**, Fudan University - School of Management

**Weiming Elaine Zhang**, IE University - IE Business School

**Yaojia Zoe Zhang**, The Chinese University of Hong Kong - Department of Finance

*\*Presenter*

#### Abstract:

We examine the relationship between carbon emissions and future stock returns in Hong Kong and Singapore stock markets. Hong Kong-listed stocks with higher carbon emissions experience lower future stock returns. The pattern is driven by non-local stocks and is absent among local stocks. In Singapore, where most of listed stocks are local, carbon emissions do not predict future returns. Investors of non-local firms in Hong Kong underreact to the effect of carbon emissions on firm fundamentals and environmental incidents. Moreover, the return predictability is stronger among stocks with less investor sophistication and higher arbitrage cost.

JEL Classification: G12, G15, G40, D62

Keywords: Stock returns, carbon emissions, underreaction, environmental incidents



## PAPER 5

### Momentum and Individual Investor Trades: Evidence from Singapore

#### Authors:

**\*Allaudeen Hameed**, National University of Singapore - Department of Finance

**Zhenghui Ni**, National University of Singapore - Department of Finance

**Chek Ann Tan**, National University of Singapore - Department of Finance

*\*Presenter*

#### Abstract:

Our paper examines the role of retail investor trading activity on stock price momentum. There is little evidence of momentum for stocks traded on the Singapore Exchange (SGX) unconditionally and momentum is concentrated in stocks with high market capitalization and high nominal prices. While these stocks are likely to be the trading habitat of institutional investors, these stocks exhibit substantially greater price momentum when they are accompanied by heavily trading by retail investors. Moreover, contrarian trading by retail investors on momentum stocks increases stock price underreaction to information and generates momentum of above 2% per month.

## PAPER 6

### Extreme Illiquidity and Stock Returns: Evidence from Thailand Market

#### Authors:

**\*Xi Chen**, City University of Hong Kong - Department of Economics and Finance

**Junbo Wang**, City University of Hong Kong - Department of Economics and Finance

**Yanchu Wang**, Shanghai University of Finance and Economics - School of Finance

**Xiaoling Zhong**, Shenzhen MSU-BIT University - Department of Engineering

*\*Presenter*

#### Abstract:

Extreme illiquidity (*EIL*) is priced in the cross-section of stock returns in the Thailand market. The *EIL* premium permeates stock categories with various risk factor loadings and characteristics. *EIL* is persistent and has predictive power for expected stock returns to at least a one-year horizon. The Market for Alternative Investment (MAI) with a higher proportion of individual investors, who are more active in trading than institutional investors, carries a higher *EIL* premium than the Stock Exchange of Thailand (SET). While the tradable *EIL* factor captures an important source of risk missed by the conventional risk factors, *EIL* as a characteristic has higher explanatory power in the cross-section than *EIL* as a covariance risk.

JEL Classification: G12, G13

Keywords: Extreme illiquidity, financial crisis, tail risk, Thailand stock markets

## PAPER 7

### Comparing Competing Factor and Characteristics Models: Evidence in Japan

#### Authors:

**Pin-Huang Chou**, National Central University - Department of Finance

**\*Kuan-Cheng Ko**, National Chi Nan University - Department of Banking and Finance

**S. Ghon Rhee**, University of Hawai'i - Shidler College of Business

*\*Presenter*

#### Abstract:

The main purpose of this study is to simultaneously compare the explanatory abilities of various firm characteristics and factor models in the Japanese stock market. We show that the factor models developed by Fama and French (1993, 2015, 2018), Carhart (1997), and Hou et al. (2015) all fail to be priced in Japan. In addition, value and operating profitability anomalies are prevalent in Japan, while size, investment, and momentum effects are not. Our findings are in line with what is indicated in the existing literature: the characteristics model associated with value and operating profitability better describes the cross-sectional variations of stock returns than factor models in Japan.

JEL Classification: G11, G12

Keywords: Asset pricing models, Asset pricing anomalies, Errors-in-variables bias, Instrumental variables, Japanese market

## PAPER 8

### Momentum in Machine Learning: Evidence from the Taiwan Stock Market

#### Authors:

**\*Dien Giau Richard Bui**, Yuan Ze University - College of Management

**De-Rong Kong**, National Taiwan University - Department of Finance

**Chih-Yung Lin**, National Yang Ming Chiao Tung University - Department of Information Management and Finance

**Tse-Chun Lin**, The University of Hong Kong - Faculty of Business and Economics

*\*Presenter*

#### Abstract:

We revisit 86 asset pricing anomalies in the Taiwan stock market and find that long-short portfolio strategies based on machine-learning methods bring substantial benefits. For example, neural networks and partial least squares generate long-short returns ranging from 1.20% to 1.50% per month. More importantly, we find that five of the top 20 influential return predictors are momentum-related variables. This result provides novel evidence to the momentum literature given that the Taiwan stock market is known for being an exception to momentum. In contrast with this conventional view, we show that momentum contributes to stock return predictability when adopting machine-learning models.

JEL Classification: G11, G14, G32, G35, G40

Keywords: Momentum, Asset pricing anomalies, Stock return predictability, Machine learning, Variable importance



## PAPER 9

---

### February, Share Turnover, and Momentum in China

#### Authors:

**Thomas J. George**, University of Houston - C. T. Bauer College of Business

**Chuan-Yang Hwang**, National Taiwan University - College of Management

**\*Yuan Li**, Aarhus University - School of Business and Social Sciences

*\*Presenter*

#### Abstract:

We show that significant momentum exists in China equity returns outside the month of February for both the past-returns-based and 52-week-high-based momentum ranking criteria. For 6-month holding periods, the magnitudes range from 73bp to 110bp per month in both raw and factor-adjusted returns using the China factors of Liu, Stambaugh, and Yuan (2019). A strong seasonal February reversal masks momentum when all months are considered together. The reversal is associated with a spike in turnover for recent loser stocks, which we attribute to an appetite for lottery-like stocks by retail investors at the Chinese New Year. We show that turnover difference between winner and loser stocks is a significant determinant of momentum in all three culturally Chinese equity markets—China, Taiwan, and Hong Kong. However, consistent with the dominance of retail investors in China, the February seasonal is weaker in Taiwan and non-existent in Hong Kong, and strong enough to mask momentum in other months only in China.

## PAPER 10

---

### Expectation Disarray

#### Authors:

**\*Laura Xiaolei Liu**, Peking University - Guanghua School of Management

**Yandi Zhu**, Peking University - School of Economics

**Xinyu Zhang**, Peking University - Guanghua School of Management

**Conson Yingguang Zhang**, Peking University - Guanghua School of Management

*\*Presenter*

#### Abstract:

Investors' expectations substantially depart from analysts' forecasts in China's stock market. Firms with optimistic growth forecasts by analysts systematically miss these forecasts and experience downward forecast revisions but earn *positive* abnormal stock returns. Longer-horizon forecasts and ex ante more informative forecasts more strongly predict subsequent returns. The deviation of analysts' forecasts from statistical model-based unbiased forecasts also positively predicts abnormal returns. These results suggest that investors in China neglect analysts' forecasts, which, though predictably biased as in other markets, contain valuable private information.

JEL Classification: G12, G14

Keywords: Stock Return, Analyst Forecast, China, Expectation

## PAPER 11

---

### The Bright and Dark Sides of Minority Shareholder Protection: Evidence from The Separate Vote Counts Disclosure Rule in China

#### Authors:

**Guowei Cai**, Sun Yat-Sen University - Lingnan College

**\*Po-Hsuan Paul Hsu**, National Tsinghua University - College of Technology Management

**Xinyi Xu**, Sun Yat-Sen University - Lingnan College

**Tong Zhou**, ShanghaiTech University - School of Entrepreneurship and Management

**Yadian Zhu**, China Securities Index Co., Ltd.

*\*Presenter*

#### Abstract:

Due to scattered ownership, minority shareholders are hardly able to protect their own interests through voting. To strengthen minority shareholder protection, the separate vote counts (SVC) disclosure rule implemented in 2013 requires listed firms to separately disclose the vote counts of minority shareholders for each proposal. To evaluate this policy, we reveal the “double-edged” effects on shareholders’ value in a sequential principal-agent model that features the information disadvantage of minority shareholders. Our empirical results are consistent with our model implications: the policy not only generally suppresses tunneling behaviors, but also leads to lower physical and intangible investment efficiency among firms with higher information asymmetry. Additional tests point out that counterbalances between majority shareholders, chairman-CEO separation, and institutional ownership could serve as internal and external governing measures that alleviate the negative effects of the policy on investment efficiency. Our study calls for coordination with respect to policies of shareholder protection, information disclosure, and corporate governance.

JEL Classification: G32, G34

Keywords: Minority shareholder protection, separate vote counts, information asymmetry, tunneling behaviors, investment efficiency

## PAPER 12

---

### Is Long-Term Relationship Being Exploited in Financial Advisory?

#### Authors:

**\*Yu-Jane Liu**, Peking University - Guanghua School of Management

**Yushui Shi**, Monash University - Department of Banking and Finance

**Chenhao Wang**, Zhejiang University - Department of Material Science and Engineering

*\*Presenter*

#### Abstract:

While trust relationships are crucial for financial advisory industry, financial advisors may engage in activities that can destroy the trust relationships. This paper investigates whether financial advisors tend to exploit existing clients in order to attract new clients. We use the offering of high-return-zero-risk products as an indicator for advisors’ service quality in the context of Chinese trust products featuring implicit guarantees. We find that as the length of the advisor-client tenure goes on, advisors tend to recommend more low-return-zero-risk products to clients in lieu of high-return-zero-risk products. As a result, existing clients’ investment portfolio returns deteriorate over time. We also find that the policy change of the breaking of implicit guarantee, which reduces the supply of high-return-zero-risk products, strengthens the negative effect of advisor-client tenure on service quality provided by advisor. Such exploitation is especially pronounced for clients with low AUM and no financial knowledge, and advisors tend to offer higher-commission products to existing clients.

Keywords: Financial adviser, Trust, Customer relationship, Investment performance



## PAPER 13

---

### Momentum and Liquidity: Indian Evidence

#### Authors:

**Andy Chui**, The Hong Kong Polytechnic University

**Kavitha Ranganathan**, T A Pai Management Institute, Manipal

**\*Abhishek Rohit**, T A Pai Management Institute, Bangalore

**Madhu Veeraraghavan**, T A Pai Management Institute, Manipal

*\*Presenter*

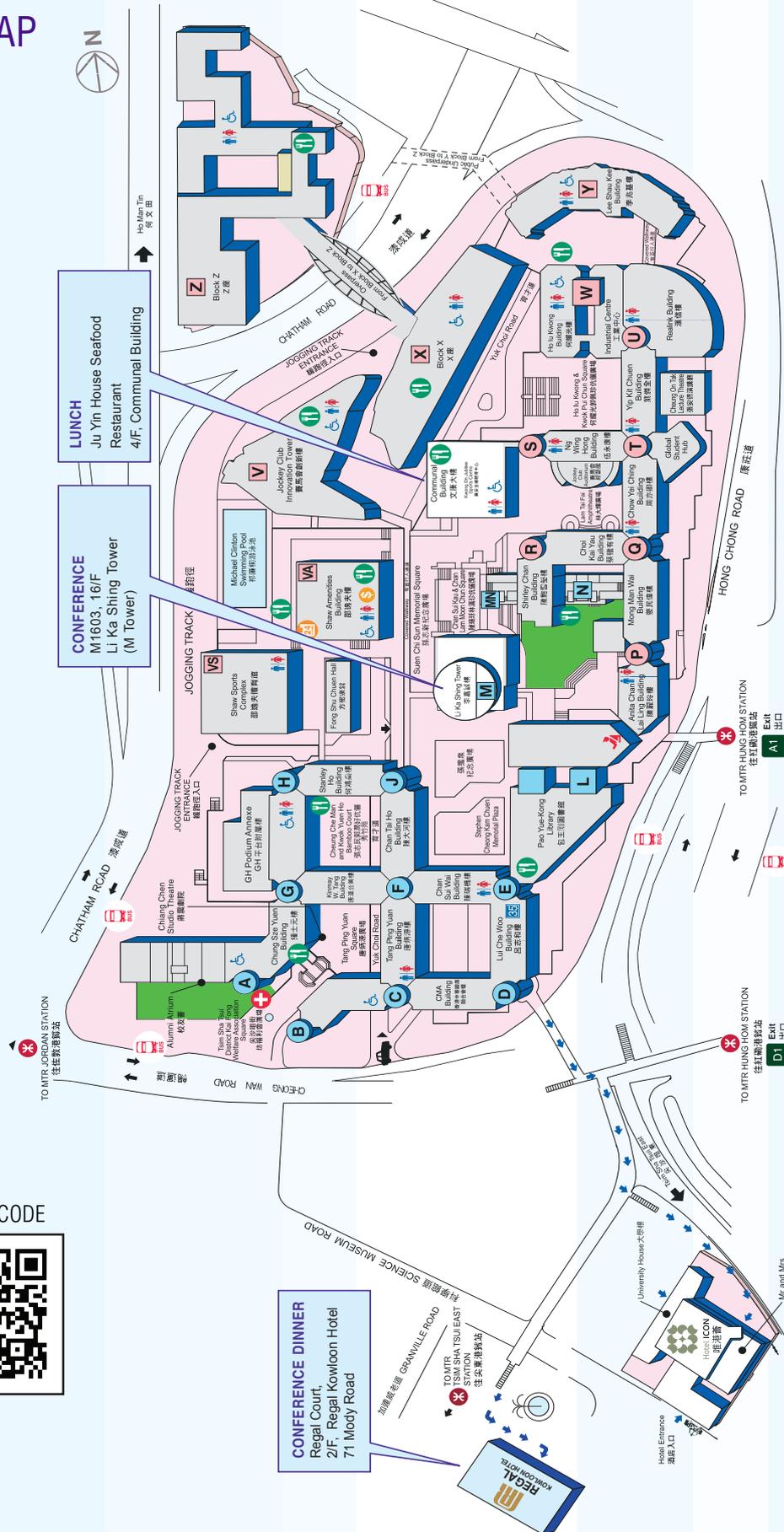
#### Abstract:

Momentum has proved to be a major challenge to financial economists. This paper examines three questions. First, we explore whether short-term momentum exists for equities listed on the National Stock Exchange (NSE). Second, whether liquidity (measured by turnover ratio) enhances the momentum effect. Third, whether momentum profits reverse for illiquid stocks. Using a large sample of 1,877 stocks for the period 1996 to 2022, we establish four sets of results. First, we find evidence of significant momentum returns for equities listed in the NSE. Second, when conditioned on liquidity, we find that the momentum returns are greater for the top decile (Q10) of the turnover ratio. Third, the short-term momentum is weak in the Indian stock market. Finally, in contrast to prior work, we find no evidence of momentum profits reversing for illiquid portfolios. We report similar findings after controlling for the Fama-French factors.

JEL Classification: G12, G14

Keywords: Short-term momentum, Reversals, Regulation, Liquidity

# CAMPUS MAP



SCAN QR CODE

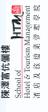


**CONFERENCE DINNER**  
Regal Court,  
Regal Kowloon Hotel  
71 Mody Road

**LUNCH**  
Ju Yin House Seafood  
Restaurant  
4/F, Communal Building

**CONFERENCE**  
M1603, 16/F  
Li Ka Shing Tower  
(M Tower)

Mr and Mrs  
Sak Fu  
陳澤輝伉儷  
Hotel & Tourism Management  
CityU 城市大學管理學院





## **CONTACT US**

[pbj.conference@polyu.edu.hk](mailto:pbj.conference@polyu.edu.hk)