

Hongye Guo

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Research Interests

- Empirical Asset Pricing, Behavioral Finance

Education

The Wharton School, University of Pennsylvania

Class of 2022

- PhD Candidate in Finance
- MA in Statistics

Amherst College, Amherst MA

Class of 2015

- BA in Economics & Mathematics, *summa cum laude, phi beta kappa (junior class)*

Harvard University, Cambridge MA

2013.9-2014.5

- Visiting Undergraduate Student

Research Papers

- **Earnings Extrapolation and Predictable Stock Market Return.** Job Market Paper.

Abstract: The U.S. stock market's return during the first month of a quarter correlates strongly with returns in future months, but the correlation is negative (positive) if the future month is (is not) the first month of a quarter. These effects offset, leaving the market return with its weak unconditional predictive ability known to the literature. The pattern accords with a model in which investors extrapolate announced earnings to predict future earnings, not recognizing that earnings in the first month of a quarter are inherently less predictable than in other months. Survey data support this model, as does out-of-sample evidence across industries and international markets. These results seriously challenge the Efficient Market Hypothesis and advance a novel mechanism of expectation formation.

- **Feedback and Contagion through Distressed Competition**, joint with Hui Chen, Winston Dou, and Yan Ji. R&R *Journal of Finance*

Abstract: Firms tend to compete more aggressively in financial distress; the intensified competition in turn reduces profit margins for everyone, pushing some further into distress. To study such feedback and contagion effects, we incorporate dynamic strategic competition into an industry equilibrium with long-term defaultable debt, which generates various peer interactions: predation, self-defense, and collaboration. Such interactions make cash flows, stock returns, and credit spreads interdependent across firms. Moreover, industries with higher idiosyncratic-jump risks are more distressed, yet also endogenously less exposed to aggregate shocks. Finally, we exploit exogenous variations in market structure -- large tariff cuts -- to test the core competition mechanism.

Presented at: AFA, EFA, Macro Finance Society Workshop, MFA, NBER Summer Institute (CM), Organizations and Markets (FOM) Research Group Conference, SFS Cavalcade, Stanford SITE, WFA

- **"Superstitious" Investors.** Joint with Jessica Wachter. Working paper

Abstract: We reconsider the Shiller (1981) volatility puzzle through the lens of a model in which agents believe they can predict dividend growth when in fact they cannot. Besides excess volatility in the time series, the model explains the value premium, and the explanatory power of the value factor. In support of the model, we show that analysts' earnings forecasts align with market valuation and that analysts are far more optimistic about growth stocks than value stocks. Using both survey and price data, we show that the same mechanism can explain the excess returns earned by investing in high-interest rate currencies.

Presented at: AFA, SFS Cavalcade

- **Preference for Early Resolution and Asset Prices**, joint with Hengjie Ai, Ravi Bansal, and Amir Yaron. Working paper

Abstract: This paper develops a revealed preference theory for preference for the timing of resolution of uncertainty based on asset pricing data and present corresponding empirical evidence. Our main theorem provides a characterization of the representative agent's preference for early resolution of uncertainty in terms of the risk premium of assets realized during the period of resolution of informativeness of macroeconomic announcements. Empirically, we show how data on the dynamics of the S&P 500 index options prices around FOMC announcements can be used to identify investors' preference for the timing of resolution of uncertainty.

- **The Common Component of Contemporaneous Earnings Announcement Excess Returns**, joint with Jessica Wachter. Work in progress
- **Expectation Formation in the Foreign Exchange Market: Evidence from Survey Data**. Work in progress

Industry Experience

Arrowstreet Capital, LP, Boston, USA
Research Associate

Summer 2014, 2015.8-2017.7

Amherst College Investment Office, Amherst, USA
Research Intern

2014.9-2015.5

Teaching Experience

The Wharton School, University of Pennsylvania

Teaching Assistant

- Accelerated Corporate Finance (MBA), for Prof. Jessica Wachter, 2018, 2019
- Quantitative Macro Finance (PhD), for Prof. Joao Gomes and Prof. Tim Landvoigt, 2019
- Empirical Research in Finance (PhD), for Prof. Winston Dou, 2020
- International Corporate Finance (MBA), for Prof. Karen Lewis, 2020
- Macroeconomics and the Global Economic Environment (EMBA), for Prof. Steve Meyer, 2020, 2021

Honors and Awards

- **Miller, Anderson & Sherrerd Fellowship**, given to the top scorer in Wharton's Finance PhD preliminary exam, 2018
- **Bernstein Prize**, given to the Amherst College senior who has done outstanding honors work in economics, 2015
- **Economics Junior Class Prize**, given to the Amherst College junior with the best performance in economics, 2014
- **Walker Prize**, given to the Amherst College freshman & sophomore with the best performance in math, 2012, 2013
- **World Champion**, *2011 Junior Achievement-Mastercard Global Business Challenge*, 2011
- **First Prize**, *National High School Mathematics Competition of China*, 2009

Miscellaneous

- I founded Liberal Arts Initiative Summer School (www.laiss.us/en), an annual summer school that invites three Amherst College professors to teach high school students for two weeks in China.

References

Winston Wei Dou, Assistant Professor of Finance, University of Pennsylvania

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Nikolai Roussanov, Moise Y. Safra Professor of Finance, University of Pennsylvania

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Robert Stambaugh (Chair), Miller Anderson & Sherrerd Professor of Finance, University of Pennsylvania

- Tel: 215-898-5734 Email: stambaugh@wharton.upenn.edu

Jessica Wachter, Dr. Bruce I. Jacobs Professor of Quantitative Finance, University of Pennsylvania; Chief Economist and Director of the Division of Economic and Risk Analysis, Securities and Exchange Commission

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