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Fields of Concentration:

Empirical Asset Pricing
Behavioral Finance

Desired Teaching:

Financial Economics
Applied Econometrics
Behavioral Economics

Comprehensive Examinations Completed:

May 2007 (Oral): Financial Economics and Econometrics (*both with distinction*)
May 2006 (Written): Microeconomics and Macroeconomics (*with distinction*)

Dissertation Title: *Essays in Empirical Asset Pricing*

Committee:

Professor Nicholas Barberis
Professor Robert Shiller
Professor Andrew Metrick

Expected Completion Date: May 2010

Degrees:

Ph. D., Economics, Yale University (Expected May 2010)
M. Phil., Economics, Yale University, 2008
M.A., Economics, Yale University, 2007
M.A., Economics, Delhi School of Economics, 2004
B. Sc., Economics, Presidency College, University of Calcutta, 2001

Fellowships, Honors and Awards:

Besen and Dublirer Fellowship, Yale University, 2006-2009
 Whitebox Advisors Fellowship, Yale School of Management, 2007
 Cowles Prize, Cowles Foundation, Yale University, 2005-2009
 Yale University Doctoral Fellowship, 2005-2009
 Ranked First in the M.A. Economics graduating class, Delhi School of Economics, 2004
 Prime Minister Manmohan Singh Scholarship, Delhi School of Economics, 2002-2004
 Ranked First in the B.Sc. Economics Honours graduating class, Calcutta University, 2002

Teaching Experience:

Instructor, Financial Markets, Yale University, Summer 2009
 Teaching Assistant, Behavioral and Institutional Economics (Graduate), Yale University, Fall 2009 and Fall 2008
 Teaching Assistant, Macroeconomics (M.A. level), Yale University, Spring 2008
 Teaching Assistant, Introductory Macroeconomics, Yale University, Fall 2008

Professional Experience:

Analyst, GE Capital International Services, Bangalore, May 2004 – May 2005
 Part of the New Product Introduction team, responsible for developing statistical model-based solutions for businesses that the company did not offer at the time, but could sell to its clients. I developed new algorithms for database marketing problems, made econometric models to forecast US macroeconomic indicators and created a desktop tool for simulating the impact of potential policy changes on critical profitability metrics for clients.

Summer Intern, GE Capital International Services, Bangalore, May - July, 2003
 Explored the Orthogonal GARCH technique to forecast the covariance matrix of yield rates for a company's investment portfolio.

Papers:

“Equity Returns and the Fund Flow Sensitivity Premium”, *mimeo*, Yale University, 2009
 [Job Market Paper]

“The Information Content of Analyst Dissidence”, *mimeo*, Yale University, 2009

References:

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Dissertation Abstract

My dissertation focuses on the role played by incentives facing financial intermediaries, and the impact they have on asset prices.

My job market paper looks at portfolio selection by mutual fund managers. A risk-averse manager dislikes volatility of income, which is directly related to the volatility of capital flows into the fund she manages. So the manager is averse to holding stocks that make investors alter their investment in the fund more often based on changes in its performance. As a result, these stocks earn a premium in the cross-section.

The second chapter looks at incentives facing sell-side analysts. Analysts who release extreme forecasts are shown to possess superior information, but the market does not value their dissidence adequately. So following analysts who release such 'dissident' forecasts can lead to high portfolio abnormal returns.

I. Equity Returns and the Fund Flow Sensitivity Premium [Job Market Paper]

Fund managers are compensated on the basis of assets under management. Assets, in turn, are determined by the investor's decision to invest more or withdraw capital depending on the fund's past performance. The question that this paper addresses is: what happens if investors alter their investment in the fund more often based on changes in performance, if its manager holds certain assets? For example, suppose there are two stocks A & B, and the fund manager knows that they have identical expected cash flow distributions. But she also knows that investors are very sensitive to the performance of funds that hold stocks like A, but not those that hold stocks like B. So if she invests in stock A and it performs badly, then investors will withdraw a lot of capital, but had she invested in B instead, the investors would have left their capital unchanged even if B had performed just as badly. Then investing in B insulates the manager from volatility of capital flows, and hence, volatility of future income. Consequently she would be willing to pay a higher price for B as compared to A.

In this paper I first identify those stocks that managers think will make investors sensitive to performance. I assume that in order to identify the sensitivity of a particular stock, a fund manager looks at the subset of funds that held the stock in the recent past, and tries to assess whether and how much the flows for these funds responded to changes in performance. Following this logic, I run a panel regression for each stock, using data only for the subset of funds that had held the stock in the last 16 quarters. In the panel, I regress the flow of capital into funds on market-adjusted returns and flows in the last 4 quarters, and control for time fixed effects. A measure of the joint significance of performance variables obtained from the panel for a particular stock is then used as its sensitivity metric. I also show results for a measure based on the magnitudes of regression coefficients from these panels later on.

Next, I present evidence that mutual fund managers do indeed dislike holding stocks that I identify as more sensitive, even after controlling for various stock characteristics known to affect fund holdings. I show that the sensitive stocks tend to be issued by smaller companies, and that they have lower coverage by analysts even after adjusting for size. This suggests that investors are sensitive to performance when funds hold stocks that are hard to get independent valuations for.

Finally, I look at the cross-sectional asset pricing implications. I form quintile portfolios by sorting stocks based on sensitivity, and show that the long-short portfolio that holds the top 20% stocks by sensitivity and sells short the bottom 20% earns 6-7% per year after adjusting for various previously documented risk factors. This is evidence that sensitive stocks earn a premium over the insensitive ones, validating my asset pricing hypothesis. I further buttress my claim that the premium arises due to the aversion of fund managers to hold these stocks by showing that such a premium was absent in the 1980s, when the fund sector was too small to price the cross-section of US equities. I also perform a series of robustness checks and show that the results survive various alternative explanations. I argue that this shows that the delegation of fund management can lead to a notion of risk different from those in traditional factor or characteristic-based models.

II. The Information Content of Analyst Dissidence

This paper looks at ‘dissident’ forecasts released by equity analysts. I determine dissident forecasts by constructing a novel index measure based on the distance of an analyst’s EPS forecast from the prevailing consensus. Next, I empirically test and confirm the hypothesis that analysts who release extreme forecasts possess superior information not fully recognized by the market. I do this by forming calendar-time value-weighted portfolios that are long in stocks for which some analysts are much more positive than the rest, and short those where some are far more negative. I show that such a portfolio earned abnormal returns of around 8-10% a year between 1986 and 2005.

I then provide evidence that this information advantage disappears post Regulation FD, suggesting that the source of advantage outlined in this strategy was probably private information, rather than superior analyst ability in assessing public data. Finally, I relate this phenomenon to the issue of limited investor attention by showing that investors do seem to appreciate the incremental information content of bold forecasts, but find it difficult to process such information when the processing requirement is more demanding. As a result, portfolio profits based on the dissidence strategy are insignificant and small in the sample of stocks followed by few analysts - where investors can easily notice the outliers- as compared to the large significant profits obtainable in the sample of stocks covered by many analysts.