

Small Investors as Monitors

Zhipeng Yan from NJIT

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Abstract: This study examines direct interaction between small investors and management by exploring a unique textual dataset from Chinas stock market. Any company listed on the Small and Medium Enterprise (SME) Board or the hi-tech board ChiNext must hold an annual earnings communication conference (ECC) online. During an ECC, small investors can ask management any business-related questions and the management is obligated to answer them. We find that market reaction and future firm performance are positively associated with both investor tones and manager tones. A higher level of investor attention amplifies market reaction to investor tones. We also document that as the degree of dissimilarity between investor questions and manger questions rises, the market reacts less favorably, suggesting small investors who dominate Chinas stock market want and value straight answers from managers.

Speaker Bio: Dr. Zhipeng (Alan) Yan is a finance professor at the Martin Tuchman School of Management, NJIT. He currently serves as an Associate Dean for Research and International Programs. Before joining NJIT, he worked at Millennium Partners LLP, a major hedge fund in New York. He also worked as the CIO of Everbright Futures Co. Ltd., China. Currently, he is an Op-ed columnist for Shanghai Securities News (Chinas Wall Street Journal). He published over twenty academic articles and two books in Chinese: *Maniacs, Swindlers and Fools*, *A Third Eye on Investments and Reflections on Wall Street*, both by The Commercial Press, China. His primary research interest is in investments and behavioral finance. His research covers topics relating to insider trading, short selling activity and price efficiency, trading strategies arising from financial market anomalies, and corporate governance. Dr. Yan received his Ph.D. in international economics and finance from Brandeis International Business School in 2007, a MA in management in 1999 and a BE in 1997 from Shanghai Jiao Tong University.

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