Marek Jochec

Can Mutual Funds Time Risk Factors?
with Evangelos Benos and Victor Nyekel

Using daily observations from 448 actively managed funds, we use the methodology in Bollen and Busse (2001) to assess the ability of fund managers to time systematic risk factors, measured over entire funds’ lives. We construct synthetic portfolios to obtain the empirical distribution of timing coefficients under the null hypothesis of no timing ability and compare this distribution to that of the timing coefficients of the actual funds. Fund managers do not seem to be timing any of the risk factors. For the market factor in particular, we cannot reject the hypothesis that the actual and synthetic fund cross-sectional distributions are the same. We interpret this result as evidence that market timing ability does not persist over long time periods.

Short Term Persistence in Mutual Fund Market-Timing and Stock-Selection Abilities
with Evangelos Benos

Using daily return data from 448 actively managed mutual funds and quarterly measurement periods over a recent 9-year period we look for persistence, over two consecutive quarters, in the ability of funds to select individual stocks and time the market. We do this while controlling for management fees and the timing effects of the other risk factors. We find persistence in the ability to time the market only among well performing funds and in the ability to select stocks only among the very best and worst performers. When funds are ranked by their overall performance (stock selection, market timing and fees), there is persistence among most poorly performing and only the top well performing funds. However, a winner-picking strategy that selects top performers is not profitable relative to the value weighted CRSP universe, unless the invested amount exceeds $1 million, is invested in class A shares and is rebalanced annually.

Patriotic Name Bias and Stock Returns
with Evangelos Benos

Companies whose names contain the words “America(n)” or “USA” earn positive abnormal returns of about 6% per annum during the Second World War, the War in Korea and the War on Terror. These abnormal returns are not realized immediately upon the outbreak of each of the wars but are accumulated gradually during wartime. Given that no such effect is observed for the Vietnam War, we hypothesize that major, victorious wars arouse investors’ patriotic feelings and cause them to gradually and perhaps subconsciously gravitate toward stocks whose name has a patriotic flavor.

Testing the PIN variable (working paper)
with Evangelos Benos
March 12, 2007

This paper puts the PIN variable (Probability of INformation-based trading) to test. We find that for a large set of stocks, the PIN variable is lower (albeit insignificantly) in the periods before earnings announcements dates than in the periods after earnings announcements dates. This is inconsistent with the idea of PIN capturing the probability of informed trading.

Liberalism and Home Equity Bias (working paper)
with Evangelos Benos
May 30, 2008

Countries whose citizens have liberal ideals are less biased toward domestic equity. Data from 30 countries suggests that economic as well as social liberalism is associated with proportionally higher foreign equity holdings. A one standard deviation increase in the level of economic (social) liberalism relative to time-series and cross-sectional averages, is associated with a 5% (2%) relative decrease of home equity bias. These results hold after controlling for standard rational and behavioral explanations of the home equity bias as well as country and time fixed effects.

(full article: http://ssrn.com/abstract=933211)