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Research Statement

I am a financial economist and my research areas are behavioral finance, empirical asset pricing and corporate finance. My research focuses on the gap between human nature and economic rationality. It is not easy for investors to think rationally in a financial market market where numerous participants interact based on extensive information. Major market failures are believed to be associated with irrational beliefs and have had a long-lasting impact on individual and social welfare. Therefore, I believe understanding how the "animal spirit" influences investor decisions can improve the efficiency of the financial system and protect unsophisticated investors. My current research tackles how investors form expectations on future stock returns from the behavioral perspective. In particular, I have studied the impacts of return extrapolation and uncertainty aversion on investor expectations. In the future, I plan to continue my research on investor beliefs, but from a more diverse perspective. In what follows, I discuss brief abstracts and motivations of my works. Full papers are available on my website.

Current Research

My job market paper, **"Biased Attention in Extrapolative Thinking: An Eye-Tracking Study,"** provides evidence that heuristics in information acquisition and the biased expectations on future stock returns are closely linked. Recent papers provide direct evidence that investors believe an asset's future returns are positively associated with its recent past returns. Yet, due to the methodological limitations of surveys, not much is known about the underlying mechanism of return extrapolation. To resolve this issue, I conducted an experiment using a device that tracks eye movements, as eye movements reflect biases inherent in decisions. Subjects were asked to read a price chart of the past 18 months and predict prices in the future. The entire process of information acquisition—which parts of the price chart are read and for how long—is recorded.

Using attention allocation to past returns and prices as a measure of decision weights in expectations, I show that heuristic information acquisition and biased expectations are closely linked. I first document that the measure of expectations based on eye-tracking quantitatively fits the actual return predictions submitted by subjects. Easily recognizable patterns in data receive disproportionately more attention: Subjects spend much more time reading recent as well as extreme trends and price levels. Moreover, subjects have longer memories for tail events: They allocate significant attention to price peaks in the

distant past. Such heuristics reflected in the information acquisition are heterogeneous across subjects and lead to inferior prediction precision. This paper provides a microfoundation for theories of return extrapolation. More broadly, this paper sheds light on how the finance industry can adopt biometrics data in practice.

In the working paper, **"Scrip Dividends and Extrapolative Bias"** (with Sergey Chernenko and Huseyin Gulen), we examine whether shareholders' choices to receive cash or stock dividends are affected by extrapolative beliefs. One of the limitations of the survey data is that submitted expectations do not affect respondents' future wealth. To address this issue, we analyze hand-collected data on the scrip dividends that provides shareholders with the option to receive cash or stock dividends. This choice reflects the expectations on future returns, as shareholders will choose stock dividends only if they believe prices will increase in the future. Taking advantage of this institutional setting, we find that more shareholders receive stock dividends when recent past returns are higher. They do so especially when returns are positive and volatile. Moreover, we find that shareholders of small firms, growth firms, and firms with low institutional ownership tend to be more reliant on past returns in making decisions to accept scrip dividends. Finally, we find that a higher scrip take-up rate predicts a lower return in the future up to 24 months, implying that shareholders have biased beliefs regarding their holdings.

In the working paper, **"Shareholder Meetings Matter: Evidence from the Options Market,"** (with Kateryna Holland and Irene Yi) we investigate how investors react to uncertainty about the voting outcome of shareholder proposals using option prices. Implied volatility shows the likelihood of changes in a given stock price over the life of an option, reflecting investors' uncertainty regarding the underlying stock price. We find that protection against stock price changes is more expensive before shareholder meetings, evidence that uncertainty regarding voting outcomes is priced in the options markets. The decrease in implied volatility is pronounced for meetings with close-call shareholder proposals. We also find that executive pay and proxy access proposals are more impactful than ESG/CSR and political disclosure proposals. Overall, these results indicate that the market gradually updates its expectations regarding voting outcomes over time, and shareholder proposals have heterogenous value implications.

Future Research

I have two short-term research goals. First, I will continue my research on the mechanism of extrapolative beliefs that I explored through the job market paper. Next, I will study to find and understand the unexpected macroeconomic consequences of extrapolative beliefs. In the long term, I would like to study the decision-making process of investors from more diverse perspectives. In particular, I am very interested in the influence of social communication and collective intelligence on individual decision-making. Methodologically, I always strive to investigate research topics using creative approaches. As my job market paper demonstrates, I am not hesitant to learn new technologies or methodologies to solve important research questions. Overall, I look forward to contributing to my future department through innovative research and collaboration.