Universität Stuttgart
Lehrstuhl für Finanzwirtschaft

University of Stuttgart
Institute of Business Administration, Dep. III
Chair of General Business Administration
and Finance
Prof. Dr. Philipp Schuster

Seminars at the Department of Finance

Basic informations

- To participate in the seminar, please send us an e-mail with your name, matriculation number, course of study and desired topic. Please include a transcript of grades (email address: finance@bwi.uni-stuttgart.de).
- Registration must be completed no later than the registration deadline of 25.10.2022. Please be sure to meet this deadline - registrations received after the deadline will not be considered.
- The kick-off event will take place on 26.10.2022 at 14:00 in room 7.011. Participation in the kick-off event is mandatory.
- A major in finance is strongly recommended.
- Please note that once you have confirmed your place in the seminar, you must also register for the seminar on C@MPUS within the exam registration period (16.11. to 08.12.2022).

Submission of written thesis:	Thursday, 19.01.2023, until 11:30 a.m.
Presentations as block seminar:	Thu./Fri., 02./03.02.2023 (depending on the number of participants), location: to be announced. Presentations must be submitted by email as PDF or PowerPoint file by the presentation date.

- The submission of the written thesis has to be sent as PDF to franziska.weishaupt@bwi.uni-stuttgart.de.

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General information about the seminar thesis

- The topics to be assigned for the seminar can be found starting on page 3. Please note that different topics will be assigned depending on the degree (Bachelor and Master). Topics will be assigned on the day of the kick-off event.
- The given topics can be assigned to several students at the same time. Each student is supposed to (independently) write a thesis that should be approximately 12 pages (font size 12, line spacing 1.5). Each thesis must be accompanied by a signed statement declaring that the thesis has been written independently and that no aids or literature sources other than those listed have been used. The use of sources that are not listed will be considered an attempt at deception and will result in immediate exclusion from the seminar and a seminar performance graded as "deficient".
- The BWI citation guidelines are to be followed.
- The presentation will be given as a group work consisting of several students working on the same topic. Groups will also be assigned on the day of the kick-off event.
- Although the same topics will be assigned to multiple students, we cannot guarantee that you will receive your preferred topic.
- Attendance at the kick-off event and the full block seminar is mandatory. Any absence must be justified in written form (medical certificate or similar).
- Your examination performance consists of a written thesis (60% of the total grade) and a presentation of the topic (40% of the total grade).
- The seminar paper can be written in German or English.

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Seminar topic: Selected topics related to the stock market

Probably the best-known part of the capital market is the stock market. In addition to large institutional investors, expected returns and low entry barriers also encourage many small and private investors to invest in the stock market. This is also why the stock market enjoys a great popularity among the general population.
The seminar of the upcoming winter semester 2022/23 on the topic "selected topics related to the stock market" will shed light on various aspects of the stock market from a scientific perspective. In the course of this seminar you can get to know the databases available at the chair, work with financial market data yourself and conduct your own empirical investigations.

Topics for Bachelor Students

Topic 1: Do stocks perform worse than treasury-bills?

Most investors invest in stocks to earn higher returns than a risk-free investment. If you look at the stock market as a whole, you also see much higher long-term returns than with lower-risk or risk-free investment opportunities. But if you look at the returns of individual stocks, the world often looks different.
Hendrik Bessembinder's 2018 paper shows that the majority of U.S. stocks actually have lower returns over their lifetime than short-term government bonds. Thus, the positive returns of diversified equity portfolios appear to be attributable to very few individual stocks that perform well. Bessembinder shows that only about 4% of stocks are responsible for the total (net) value generation in the stock market from 1926 to 2016.
Is this phenomenon U.S.-specific or can similar results be found for other countries? You can explore this question in your own empirical investigation during the seminar.

Basic literature:

- Bessembinder, H. (2018). Do stocks outperform Treasury bills? Journal of Financial Economics, 129, 440-457.

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Topic 2: Can't investors do math?

Can the market multiply and divide? This is the question Kelly Shue and Richard R. Townsend ask in their paper published in 2021. When investors think about price changes in stocks, they should look at percentage changes in prices. Simply looking at the nominal amount of the stock price is not meaningful unless you look at the number of shares outstanding. Nevertheless, nominal changes in stock prices are often found in financial reporting rather than percentage changes. The stock app preinstalled on Apple devices, many leading financial newspapers, and most television stations report stock price changes in their nominal euro amounts. This constant presence of nominal price changes could be both a cause and a consequence of investors often looking only at nominal price changes and thus "thinking unproportionally."
Shue and Townsend show that this thinking error leads to stocks with lower nominal prices reacting more extremely to news and experiencing stronger price fluctuations than stocks with higher nominal prices. So do investors really not know how to compute percentages?

The seminar thesis will present and critically discuss the research of Shue and Townsend (2021). Subsequently, an own empirical analysis with current data can be carried out.

Basic literature:

- Shue, K., & Townsend, R. R. (2021). Can the Market Multiply and Divide? Non-Proportional Thinking in Financial Markets. Journal of Finance, 76(5), 2307-2357.

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Topic 3: Momentum – Is the trend your friend?

According to one of the most famous stock market sayings - "The trend is your friend" - investors should not go against prevailing trends, but "go with the flow". In other words, this wisdom says that one should invest especially in those securities whose price has developed well/shows positive momentum. Jagadeesh and Titman (1993) deal with momentum in their paper and show that this strategy generates high returns and cannot be explained by previous risk factors.

In the seminar thesis, the paper of Jagadeesh and Titman (1993) will first be presented and critically discussed. Subsequently, an own empirical analysis on the topic of momentum can be conducted.

Basic literature:

- Jegadeesh, N., & Titman, S. (1993). Returns to buying winners and selling losers: Implications for stock market efficiency. The Journal of Finance, 48(1), 65-91.

Topics for Master Students

Topic 4: How valuable are the recommendations of analysts?

In addition to fundamental company analyses, analysts also repeatedly publish short-term trading ideas in their research reports. Institutional investors in particular observe - and often follow - these trading recommendations. But does it make sense to follow these recommendations? Does following these recommendations bring higher returns? Birru et al. (2022) look at research reports for U.S. stocks and find that analysts' trade recommendations are valuable and investors who follow them can earn high abnormal returns.

Within the scope of the seminar thesis, you can examine such analyst recommendations, their intrinsic value and their effects in your own analysis. For this purpose, various databases are available to you at the chair.

Basic literature:

- Birru, J., Gokkaya, S., Liu, X., & Stulz, R. M. (2022). Are Analyst Short-Term Trade Ideas Valuable. Journal of Finance, 77(3), 1829-1875.

Topic 5: Premia for Illiquidity

For investors, in addition to the expected return and volatility, the liquidity of a security is an important criterion for deciding whether to make an investment. Liquidity describes how quickly it is possible to open or close a position and at what conditions this is possible. The more illiquid a security is, the higher the transaction costs. Therefore, it is not surprising that illiquid assets are usually traded with a certain illiquidity discount.

In the seminar thesis, the main ideas of the work of Amihud and Mandelson (1986) shall be presented and critically discussed in a first step. In particular, it should be explained what is meant by the liquidity of an asset, how it can be measured and which aspects play a role.
Based on this, an own empirical analysis on the topic of liquidity can be carried out afterwards.

Basic literature:

- Amihud, Y., & Mendelson, H. (1986). Asset pricing and the bid-ask spread. Journal of Financial Economics, 17(2), 223-249.