Ideas for Master Thesis topics:

- **Anomalies**

  Trading strategies which provide abnormal returns unexplained by an asset pricing model are typically referred to as *anomalies* in the literature. Prominent examples are the momentum anomaly (stocks with high returns over the past 3-12 months outperform stocks with low returns over the past 3-12 months in the next 1-6 months), the value anomaly (value stocks e.g. cheap stocks in terms of book-to-market value or some similar ratio outperform growth stocks e.g. expensive stocks), or the size anomaly (small stocks, in terms of market value, outperform big stocks). In the current literature many new anomalies are proposed, for example: Novy-Marx and Velikov (2016) examine 23 anomalies; Hou, Xue and Zhang (2014) provide a list of about 80 anomalies. In addition, one could also test combinations of different anomalies.

  However, most anomalies are tested with US data. Students can pick one of these anomalies and investigate its validity for a new market.

  A good example of how a study of anomalies should be conducted is Fama and French (1996). Note thereby, that the previous mentioned studies (Novy-Marx and Velikov, 2016 and Hou, Xue and Zhang, 2014) do not address an anomaly per se, but accomplish a methodological contribution on its own.

  Literature:
  - Fama, E.F., French, K.R., 1996. Multifactor Explanations of Asset Pricing Anomalies. The Journal of Finance 51, 55-84.
  - Hou, K., Xue, C., Zhang, L., 2014. Digesting Anomalies: An Investment Approach. The Review of Financial Studies 28, 650-705.
  - Novy-Marx, R., Velikov, M., 2016. A Taxonomy of Anomalies and Their Trading Costs. The Review of Financial Studies 29, 104-147.

- **Sustainability and Financial Performance**

  Recently, sustainability has received increasing attention in the finance literature. While fund managers argue that sustainable stocks (often the catchwords CSR, or ESG, are used, among others) deliver higher returns than conventional ones, researchers suspect the opposite (e.g. Fama and French, 2007).

  Empirical research on this topic is also increasing, but still at a rather early stage. Possible empirical approaches include event studies, portfolio studies, as well as panel approaches. For an overview of the topic see for example Renneboog, Ter Horst and Zhang (2008).

  Literature:
  - Fama, E., French, K., 2007. Disagreement, Tastes and Asset Prices. Journal of Financial Economics 83, 667-689.
  - Renneboog, L., Ter Horst, J., Zhang, C., 2008. Socially Responsible Investments: Institutional Aspects, Performance, and Investor Behavior. Journal of Banking and Finance 9, 1723-1742.

- **Sustainability and Share Buybacks**

  Large corporations have been very active in repurchasing their own shares over the past 10 to 15 years. There is a hot debate (in the media and academia) about what are the reasons for this surge in buybacks, and whether or not these buybacks are in the best interest of long-term shareholders. A Master thesis could be written on the following topics:

1. Analyze the share buyback activity of Swiss firms (how has it evolved over time; differences across industries; what are the determinants).

2. Some argue that the share buybacks are mainly driven by the compensation incentives for managers. Is there a link between share buyback activity and CEO pay for Swiss firms?

3. Is there a connection between the size and frequency of share buybacks and corporate social responsibility? If share buybacks are truly bad for shareholders in the long-term, we should expect fewer buybacks by more responsible firms.

- **Determinants of incentive pay for Swiss CEOs**

  The compensation of CEOs in Switzerland and elsewhere has received a lot of attention from the media, but also from academics. While the structure of CEO is fairly well documented (that is, how much cash and bonus a given CEO receives), we know very little about what the criteria are that firms use to grant bonuses. A Master thesis could be written on the following topics:

  What are the performance criteria for Swiss CEOs? What are the advantages and disadvantages of those criteria? What are their implications for the incentives of CEOs? I.e. could they induce short-term behavior?