BA- / MA-Thesis Topic Suggestions

Comparison of the U.S., UK, and EU ESG regulatory frameworks (B.Sc.)

The U.S., UK, and EU ESG regulatory frameworks differ in many areas. When did such ESG-related efforts start in each jurisdiction? How have they evolved over time? Are they binding, or mere recommendations? What are their implications for asset managers?

ESG-metrics linked CEO pay (M.Sc.)

ESG-linked performance pay has been on the rise over the past decade. How prevalent is it? What fraction of total CEO compensation does it account for? How ambitious are the goals set for the companies to achieve? Would they have been achieved with only little effort (e.g., they were prescribed by the regulator anyhow), or would achieving them entail extra effort? Are companies with more ambitious goals different from other firms? Do they perform better/worse? Do ESG ratings take into account this metric?

Family-owned firms and sustainability (M.Sc.)

A recent study by McKinsey found that the average life span of companies listed in Standard & Poor's 500 was 61 years in 1958. Today, it is less than 18 years. Family-owned firms care about intergenerational continuity and one can hypothesize that in order to survive, they have to be adaptive. One could study whether they adapt to sustainability-related developments faster than other firms do, whether they set more ambitious goals, and whether their stock market performance reflects their efforts.

Greenhushing: Do corporations set less ambitious targets? (B.Sc.)

Backlash against ESG promises by corporations has started recently as regulators, NGOs and others have taken a closer look at promises that companies have made on climate-related goals. Some have been criticized as too conservative, others as too ambitious while lacking strategies to achieve their stated goals. Have companies that came under scrutiny changed their target communication policies? Have they stopped listing their goals in sustainability reports? Have their ESG ratings changed as a result?

Buyback anomaly

Empirical evidence suggests that firms that do share repurchases tend to outperform other firms in the stock market in the long run. This is known as the share buyback anomaly. Most evidence for this anomaly exists for the USA (e.g., Peyer and Vermaelen (2009)). This thesis analyzes the share buyback anomaly for Switzerland or for another country of choice.

Can the market multiply and divide?

Investors in financial markets should care about returns in percent rather than nominal dollar or Swiss franc returns when they evaluate how a piece of news affects stock prices. However, recent research shows that financial market participants in the US appear to care about dollar returns and thus engage in non-proportional thinking. This thesis analyzes whether non-proportional thinking is also present among investors in Switzerland (or another country of your choice).

Cash policy

Firms are holding excess cash for various reasons. Evidence suggests that an important reason that firms' hold excess cash is for precautionary reasons. That is, firms want to have a cash buffer to be able to absorb negative shocks. This evidence also documents that firms have increased the proportion of assets that are held as liquid assets over the last decades (Bates, Kahle, and Stulz (2009)). This thesis analyzes the cash policy of firms in Switzerland or for another country of choice, including an analysis of how some recent events, such as Covid and the outbreak of the Ukraine war, have affected cash policy.

Debt structure

Firms can raise different forms of debt capital such as bank debt or bonds. Most empirical evidence on debt structure analyzes US firms (Colla, Ippolito, and Li (2013)). This thesis analyzes the debt structure and debt issuance activity of firms in Switzerland (or for another country of your choice).

M&A waves

M&A transactions often occur in waves at the industry-level, driven by deregulation and technological progress. This thesis analyzes M&A activity in Switzerland (or another country of choice) over the past three decades and seeks to identify patterns of M&A waves in the Swiss market.

Share repurchases

The US government has implemented a tax on share repurchases. The goal of this tax is to make share repurchases less attractive relative to dividend payments (and other uses of excess cash). This thesis evaluates the effects of the tax on firms' share repurchase behavior and more generally on firms' optimal payout policy for a sample of US firms.

Which insider trades predict future returns? (MA)

Certain company insiders such as officers, managers, or directors are better informed about their own company than other market participants. It has been shown that their trades predict stock returns (i.e. when they purchase shares, prices tend to rise and vice versa). This discovery has been followed by multiple studies attempting to find out which trades have the strongest predictive power.
A thesis in this area could:

- aim at finding a new criterion to classify insider trades by how much information they contain
- replicate an existing study using e.g. data from insider trading activity in Switzerland

Literature:
Akbas, F., Jiang, C., Koch, P. D., 2020. Insider investment horizon. *The Journal of Finance 75*, 1579–1627.
Cohen, L., Malloy, C., Pomorski, L., 2012. Decoding inside information. *The Journal of Finance 67*, 1009–1043.
Gao, G. P., Ma, Q., Ng, D. T., Wu, Y., 2022. The sound of silence: What do we know when insiders do not trade? *Management Science 68*, 4835–4857.
Jagolinzer, A. D., 2009. Sec rule 10b5-1 and insiders' strategic trade. *Management Science 55*, 224–239.
Zingg, A., Lang, S., Wyttenbach, D., 2007. Insider trading in the swiss stock market. *Swiss Journal of Economics and Statistics 143*, 331–362.

Effect of insider disagreement on stock returns (BA)

Trades by directors or officers have been shown to be predictive for future stock returns (e.g. Lakonishok & Lee (2001)). However, the expectation is less clear when insiders trade in different directions at the same time, which could be an indication of disagreement about future cash flows. Conduct an event study on a predefined sample of insider trades in Swiss stocks.

Literature:
Lakonishok, J., Lee, I., 2001. Are insider trades informative? Review of Financial Studies 14, 79–111.

Discount of small-cap stocks compared to large-cap stocks (MA)

At the end of 2021, the Financial Times published an article on how the P/E-ratio of small-caps diverged from their larger peers after the markets' recovery from the Covid-19 pandemic. Based on this article, multiple research questions emerge: Has the gap been closed since then? What characteristics can the gap be attributed to?
Furthermore, the article mentions that smaller companies have more local supply chains. A thesis could also look at the differences (or changes) in supply chains and their effect on returns during the pandemic using the methodology and / or data from Hoberg & Moon (2019).

Literature:
US small-cap stocks trade at historic discount to corporate titans, *Financial Times*, 2021, https://www.ft.com/content/a894adff-7ca2-4fdc-bc85-c43bc2c53491
Hoberg, G., & Moon, S. K. (2019). The offshoring return premium. *Management Science, 65(6)*, 2876-2899.
http://faculty.marshall.usc.edu/Gerard-Hoberg/HobergMoonDataSite/index.html

Impact of the Board Member's Average on the Firm's Valuation (MA)

The impact of board members' average age on firm valuation is, up to this date, multi-layered with its complex influence of board decisions on strategic outcomes and investor behaviour. Studies show a nuanced relationship between CEO characteristics, including age, and firm performance, with older CEOs often exhibiting more conservative behaviours that could affect firm valuation negatively (Hambrick & Mason, 1984). This relationship suggests a broader inquiry into how board composition influences strategic decisions and firm performance, especially in terms of risk aversion and innovation spending (Barker & Müller, 2002, Kitchel, 1997). This behaviour might be associated to the career horizon problem. As managers advance in age, but also in tenure, the planning horizon contracts, and new initiatives are less commonly implemented. Davidson et al. (2007) statute further that these practices would be in favour of the managers merits in the last years in office, however, at the expense of the profitability of the firm. This suggests a need for further empirical research on how the average age of board members might affect firms' strategic choices and overall valuation, particularly within the continental European context. This area of study could provide valuable insights into the optimal composition of boards for enhancing firm performance and valuation.

Literature:

Barker, V. L., & Mueller, G. C. (2002). CEO characteristics and firm R&D spending. *Management Science, 48* (6), 782–801.

Davidson, W. N., Xie, B., Xu, W., & Ning, Y. (2007). The influence of executive age, career horizon and incentives on pre-turnover earnings management. *Journal of management & Governance, 11* (1), 45–60.

Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *The Academy of Management Review, 9* (2), 193–206.

Kitchell, S. (1997). CEO characteristics and technological innovativeness: A canadian perspective. *Canadian Journal of Administrative Sciences/Revue Canadienne des Sciences de l'Administration, 14* (2), 111–121.

Wiersema, M. F. & Bantel, K. A. (1992). Top Management Team Demography and Corporate Strategic Change. *The Academy of Management Journal, 35* (1), 91–121.

Asset pricing models on public announcements

Savor and Wilson (2014) show that asset prices behave very differently on days when important macroeconomic news is scheduled for announcement relative to other trading days. In addition to significantly higher average returns for risky assets on announcement days, return patterns are also much easier to reconcile with standard asset pricing theories, both cross-sectionally and across time. On such days, stock market beta is strongly related to average returns. This positive relation holds for individual stocks, for various test portfolios, and even for bonds and currencies, suggesting that beta is after all an important measure of systematic risk.

An idea for a master's thesis would be to run a similar analysis as Savor and Wilson (2014), but for asset pricing models other than the CAPM. For instance, one could test the Carhart (1997) four-factor model on macroeconomic announcements in various markets (FOMC announcements in the US, announcements of the SNB in Switzerland, the ECB in the Eurozone, etc..).

Related Literature:

- Savor, P. and M. Wilson (2014). Asset pricing: A tale of two days. *Journal of Financial Economics 113 (2)*, 171-201.

Stock price reactions on earnings announcements

The publication of quarterly results triggers immediate market reactions that affect traded share prices. Nevertheless, positive (negative) earnings announcements (exceeding/ missing earnings estimates/ management earnings forecasts) do not always translate into positive (negative) stock price reactions, suggesting that market participants' expectations may deviate significantly from published earnings estimates.

Can such discrepancies between earnings surprises and stock price reactions be anticipated? Potential signals could be abnormal stock price movements, signals from changing derivatives positions, etc.

Related literature:

- Kaniel, R., Liu,S. Saar, G. and Titman, S. (2012). Individual Investor Trading and Return Patterns around Earnings Announcements. *Journal of Finance 67*, 639-680.

- Quin,L., Wang X.W. and Zhipeng, Y. (2020). Volatility spread and stock market response to earnings announcements. *Journal of Banking and Finance 119*.

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