IBSS RESEARCH SEMINAR

Organized by: RCE 3 Decision Making in Business

The Cross-Section of Stock Returns and the Degree of Rejoicing and Regret

Abstract

We propose a novel proxy capturing investors' degree of rejoicing and regret (DRR) and examine its predictive power for cross-sectional stock returns in the U.S. and 44 international markets. Consistent with the framework that investors demand lower (higher) expected returns for stocks associated with strong rejoicing (regret), low-DRR stocks outperform high-DRR counterparts by16.45% annually in the U.S. The DRR effect spills over globally, with stronger predictive power in developed markets and countries characterized by higher individualistic cultures, greater uncertainty avoidance, and weaker investor protection. Furthermore, the DRR measure subsumes the pricing impact of regret- dominated proxy from extant literature, highlighting the vital role of rejoicing in regret theory.

Presenter

Dr. Raymond So is an Associate Professor of Finance at ZIBS. He is also the program director of the International Master of Finance Program. Prior to joining ZIBS, he worked at King's College London as an Assistant Professor of Finance. His research primarily focuses on empirical asset pricing, behavioral finance, and financial technology. He has published in the Review of Finance, Journal of Corporate Finance, European Journal of Operational Research, among others.

Date

09 May 2025

Time

1:00PM-2:00PM (China Standard)

Location

BS 574