Department of Banking and Financial Management
University of Piraeus

Research Seminar Series

Thursday, March 19th 2009
Time: 16:00 – 18:00, Room 013

Seminar Title

"Corporate Financing Activities and Contrarian Investment"

As. Professor Ozgur Demirtas
Baruch College, New York, USA

Summary

This paper investigates the risk versus mispricing explanation of superior returns to contrarian strategies using the interactions between value-to-market indicators and corporate financing transactions that increase or decrease a firm's outstanding equity. Portfolio-level analyses and firm-level cross-sectional regressions indicate that the welldocumented contrarian profits soar when value stocks which repurchase shares (value repurchasers) and growth stocks which issue shares (growth issuers) are considered. The results also show that value-to-market ratios cannot capture the cross-sectional variation in expected stock returns when value issuers and growth repurchasers are considered. Based on various risk measures, we find that value repurchasers are not riskier than growth issuers. Furthermore, examination of past and future growth rates, analyst estimates of long-term growth, and sensitivity of portfolio returns to investor sentiment support the misvaluation explanation for the superior returns of value stocks.

Ozgur Demirtas is an Associate Professor of Finance at the Zicklin School of Business of Baruch College in New York. He received his BS degree in Electrical and electronics Engineering from Bogazici University in Istanbul in 1998 and his Ph.D. in Finance degree from Boston College in 2003. His primary research interests are in the area of empirical asset pricing, timeseries and cross-sectional variation in stock returns, investments, risk management, portfolio theory and stock market anomalies. His work has been published in academic journals such as Journal of Financial and Quantitative Analysis, Journal of Banking and Finance, Journal of Futures Markets, Finance Letters and International Journal of Revenue Management as well practitioner oriented journals. He has received Donald J. White Teaching Excellence Award during his studies at Boston College. He has been elected as the best teacher within the finance department of Baruch College and he has been included in the Dean's Teaching Excellence List four years in a row for receiving the highest teaching evaluations at the College. In 2004, he has received the Zicklin School of Business Teaching Excellence Award. Finally, in 2007, he became one of the youngest faculty members to receive the Presidential Excellence Award for Distinguished Teaching. He still has the highest teaching evaluations within all departments of the University.