

## The 2<sup>nd</sup> Annual MNB Institute – FISF Workshop

Thursday, 28<sup>th</sup> November 2024

8:30 am – 12:30 pm (Budapest Time) / 15:30 pm – 19:30 pm (Beijing Time)

The webinar will be livestreamed at [Zoom](#)  
(Meeting ID: 402 327 2104 / Password: 111222)

### Welcome & Opening Remarks

15:30 – 15:45 **Opening Remarks - Kristóf Lehmann, the head of the MNB Institute at Budapest Metropolitan University and the director of the Directorate for International Monetary Policy Analysis and Economic Sciences at the MNB**

### Session 1 Session Chair:

*Balázs Vonnák, Economic Advisor, Magyar Nemzeti Bank*

15:45 – 16:15 **Market for Corporate Control in China: Engine for Growth or Value Destruction?**  
*By Jun Qian, Executive Dean, Professor of Finance, FISF*

**Abstract:** We investigate whether mergers and acquisitions (M&As) create or destroy value by studying full and partial acquisitions involving Chinese listed firms over 2000-2022. Compared with Hong Kong-listed acquirers, A-share acquiring firms experience better stock and operating performance after purchasing the target, which is typically a nonlisted firm. Serial acquirers and diversifying acquisitions show worse post-merger performance. For acquisitions financed by private placement of the acquirer's stock, the post-acquisition performance is better when the issuance price is competitively determined through an auction than when the price is set through 'negotiation' (without an auction). Among the partial acquisition deals, the (listed) target firm's stock and operating performance is improved after a block of its shares acquired by institutional investors, and the improvement is more pronounced when the target's CEO or controlling shareholder is replaced following the acquisition. Our results highlight the importance of corporate governance and control transfer in value creation through M&As in China.

16:15 – 16:45 **Attractiveness to Optimists and Stocks as Lotteries in the Cross-Section of Expected Stock Returns**

*By Gábor Neszveda, Associate Professor of Finance at MNB Institute, Budapest Metropolitan University, Hungary, and Head of Department at the Central Bank of Hungary*

**Abstract:** Theoretical studies find that optimistic investors, who overweight the probabilities of better outcomes, can survive and influence asset prices even in a competitive market. To study the impact of optimistic investors on the cross-section of expected stock returns, I define the measure of attractiveness to optimists of a stock based on rank-dependent probability weighting. In both portfolio-level and firm-level analyses, I find an economically and statistically significant negative relation between the measure of attractiveness to optimists and the expected stock return even after controlling for a set of control variables in the cross-section of U.S. stock returns. Furthermore, this framework both conceptually and empirically subsumes the MAX effect, one of the most common characteristics for lottery-type stocks.

16:45 – 17:15 **Dissecting the International Transmissions of U.S. Monetary Policy**

*By Wenbin Wu, Associate Professor of Finance, FISF*

**Abstract:** This paper investigates the international transmission of U.S. monetary policy by dissecting its changes into market-expected and shock components. We find that while both pegged and floating exchange rate regimes without capital controls exhibit similar responses to U.S. monetary policy shocks — consistent with the “dilemma” posited by Rey (2015, 2016) — floaters do not react to expected changes, aligning with Mundell-Fleming’s “trilemma.” This discrepancy is attributed to preemptive actions by the private sector in open economies: stock indices respond negatively to shocks primarily on FOMC announcement days, whereas responses to anticipated changes are muted due to capital adjustments by firms in advance. Using a New Keynesian Small Open Economy (NK-SOE) model, we demonstrate that it can be optimal for central banks in SOEs to refrain from following the Fed’s anticipated future tightening. This is because anticipated tightening in U.S. monetary policy can trigger preemptive local currency depreciation, causing firms to reduce their investments in advance to smooth capital adjustment costs. Nevertheless, they are motivated to align with unexpected U.S. tightening monetary shocks when firms cannot smooth the capital adjustment costs due to sudden depreciation in the local currency, particularly when they borrow in USD.

17:15 – 17:45 **Break**

**Session 2 Session Chair:**

*Xiixin Wang, Associate Professor of Economics, FISF*

17:45 – 18:15 **Threshold MIDAS Forecasting of Inflation Rate**

*By Chaoyi Chen, Assistant Professor at MNB Institute, Budapest Metropolitan University, Hungary, and Senior Researcher at the Central Bank of Hungary*

**Abstract:** We propose several threshold mixed data sampling (TMIDAS) autoregressive models to forecast the Canadian inflation rate using predictors observed at different frequencies. These models take two low-frequency variables and a high-frequency index as a threshold variable. We compare our TMIDAS models to commonly used benchmark models, evaluating their in-sample and out-of-sample forecasts. Our results demonstrate the good forecasting performance of the TMIDAS models. Particularly, the in-sample results highlight that the TMIDAS model using the high-frequency index as the threshold variable outperforms other models. Through unconditional superior predictive ability (USPA) and conditional superior predictive ability (CSPA) tests for out-of-sample evaluation, we find that no single model consistently outperforms the others, although at least one of our TMIDAS models remains competitive in most cases.

18:15 – 18:45 **A Large Confirmatory Dynamic Factor Model for Stock Market Returns in Different Time Zones**

*By Haihan Tang, Associate Professor of Finance, FISF*

**Abstract:** We propose a confirmatory dynamic factor model for a large number of daily returns across multiple time zones. For each return, the model has a global factor and a continental factor. We propose two estimators of the model: a quasi-maximum likelihood estimator (QML-just-identified), and an improved estimator based on an Expectation Maximization (EM) algorithm (QML-all-res). Our estimators are consistent and asymptotically normal under the large approximate factor model setting. In particular, the asymptotic distributions of QML-all-res are the same as those of the infeasible OLS

estimators that treat factors as known and utilize all the restrictions on the parameters of the model. We apply the model to MSCI equity indices of 42 developed and emerging markets, and find that markets are more integrated when the CBOE Volatility Index (VIX) is high.

18:45 – 19:15

**Exploring the Analytical Robustness of Social and Behavioral Sciences**

*By Márton Kovács: Lecturer at MNB Institute, Budapest Metropolitan University, Hungary, and Researcher at the Central Bank of Hungary*

**Abstract:** Different analysts may make varied, legitimate analytical decisions when addressing the same research question using identical datasets. This variability potentially undermines the solidity of empirical results. Until now, the extent to which empirical studies in social and behavioral sciences are susceptible to differing analytical choices and the primary factors contributing to this variability have not been fully understood. In our research, we examined 100 published findings across eight major fields, engaging at least five independent co-analysts for each study to re-analyze the original data. These re-analyses were subsequently evaluated for their validity by peer reviewers. Through exploratory analysis, we assessed the inferential and estimation robustness of these re-analyzed findings. Our initial results suggest that the commonly employed single-path analysis in social and behavioral sciences may be less robust to alternative, equally justifiable analytical methods than previously assumed. Consequently, our study underscores the need for adjustments in the conduct, reporting, and review of empirical analyses within these disciplines.

19:15 – 19:30

**Concluding Remarks - Jun Qian, Professor of Finance, Executive Dean, FISF**

## Speakers

### **Jun Qian**

*Executive Dean, Professor of Finance, Fudan International School of Finance, Fudan University*



Professor Qian's research interests span many areas of corporate finance, financial institutions, and capital markets. His research papers have been published in top academic journals including the *Journal of Finance*, *Review of Financial Studies*, *Journal of International Economics*, and *Management Science*. One of his best-known papers, entitled "Law, finance, and economic growth in China," published in the *Journal of Financial Economics (JFE)* in 2005, won an "All-Star" paper award based on its large number of citations. Prof Qian is on the Advisory Board of *European Journal of Finance*, an Associate Editor of *Frontiers of Economics in China*, and was on the editorial board of *Review of Finance*. He is a Senior Fellow of the Asian Bureau of Finance and Economic Research, and a Research Fellow at the Financial Institutions Center of the Wharton School, University of Pennsylvania.

### **Gábor Neszveda**

*Associate Professor of Finance at MNB Institute, Budapest Metropolitan University, Hungary, and Head of Department at the Central Bank of Hungary*



After graduating at Tilburg University, Netherlands, in behavioral finance, Prof. Neszveda joined the Central Bank of Hungary in 2017. His main research interests are behavioral economics and finance including decision-making, investments, and policymaking. He was a member of a two-year research grant in Hong Kong, and he received the Corvinus Research Excellence Award in 2021 and the John von Neumann University Excellence Award in 2022 in the Best Paper category.



### **Wenbin Wu**

*Associate Professor of Finance, Fudan International School of Finance*

Prof. Wu's research interests mainly focus on Monetary Economics and International Finance. He was awarded 2023 FISF Faculty Recognition Award (FMBA PT), 2018 & 2020 FISF Research Excellence Award, and sponsored by Shanghai Pujiang Program 2018. He was supervised by the world-renowned American economist, James D. Hamilton. He has published various papers on the academic journals such as *Journal of Monetary Economics*, *Review of Economic Dynamics*, *Journal of Money, Credit and Banking*, and *Journal of International Money and Finance*, etc.



### **Chaoyi Chen**

*Assistant Professor at MNB Institute, Budapest Metropolitan University, Hungary, and Researcher at the Central Bank of Hungary*

Prof. Chaoyi Chen is a Researcher at the Central Bank of Hungary and an Assistant Professor at the MNB Institute, Budapest Metropolitan University. He earned Ph.D. in Economics from the University of Guelph, Canada. His research focuses on econometrics, empirical macroeconomics, and empirical finance, and he has published in academic journals such as the *Journal of Business & Economic Statistics*, *Econometrics Journal*, *Econometric Reviews*, *Environmental and Resource Economics*, and *Journal of Empirical Finance*, etc. Dr. Chen received the Distinguished Scholar Medal from the Gordon S. Lang School of Business and Economics in 2020. He also organizes the MNB Institute seminar series, serves as a guest editor for the *Journal of Risk and Financial Management*, and authors the *Economania* blog for the MNB Institute.



### **Haihan Tang**

*Associate Professor of Finance, Fudan International School of Finance*

Prof. Tang's research interests are econometric theory, financial econometrics and applied econometrics. His research has been funded by 2018 Shanghai CHEN GUANG Project, 2019 Shanghai PU JIANG Talent Project, and 2019 National Natural Science Foundation of China. He was awarded 2023 FISF Faculty Recognition Award (EMF). His research articles have been published in Review of Economics and Statistics, Journal of Econometrics, and Econometric Theory.



### **Márton Kovács**

*Lecturer at MNB Institute, Budapest Metropolitan University, Hungary, and Researcher at the Central Bank of Hungary*

Márton Kovács works at the MNB Institute as a lecturer and a researcher at MNB. He holds a Master's degree in Psychology from the Faculty of Pedagogy and Psychology of Eötvös Loránd University, where he is currently pursuing his PhD. His research is mainly in the field of meta-science, where he uses empirical methods to investigate scientific efficiency and reliability. In 2022, Márton worked at Stanford University, California, with a Fulbright Program grant. In addition, he is an assistant director of the Data and Research Methods Committee of the Psychological Science Accelerator, a large international psychological research organization.