



***“Corporate Profitability and Future Stock
Returns”
(in English)***

Prof. Ronald J. BALVERS

Professor

Michael Lee-Chin & Family Chair

in Investment and Portfolio Management

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Abstract

It should come as no surprise that corporate announcements of higher-than-expected earnings lead to immediate stock price increases. But, with news about future profitability quickly reflected in stock prices, it would be surprising if *currently* more profitable firms on average had higher *future* stock returns as well. Yet, this is exactly what recent research tells us: firms in the most profitable twenty percent of listed companies have average stock returns in the subsequent year that are more than 8% higher than those of firms in the least profitable twenty percent (keeping other firm characteristics constant). I will discuss the explanations for this relationship from the perspectives of traditional asset pricing and from the newer perspective of production-based asset pricing.

Date: 24 April 2014 (Thursday)

Time: 11:45 –13:15

Venue: LBYG01, B. Y. Lam Building

Biography

Prof. Balvers currently holds the Michael Lee-Chin & Family Chair in Investment and Portfolio Management at McMaster University. He has previously held faculty positions at West Virginia University and the University of Notre Dame. He was born in the Netherlands and obtained his undergraduate education at Tilburg University and a PhD in Economics from the University of Pittsburgh. Prof. Balvers specializes in asset pricing and investments and his research has been published in journals such as the Journal of Finance, the Journal of Financial Economics, Review of Economic Studies, Management Science, International Economic Review, and the Economic Journal.

ALL ARE WELCOME

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