

# ACADEMIC SEMINAR

## Market Reaction to CEOs' Dynamic Hemifacial Asymmetry of Expressions — A Machine-Learning Approach

Neuropsychological studies propose that listeners unconsciously assess speakers' trustworthiness via their facial expressions. Building on this theory, we investigate how investors respond to CEOs' dynamic hemifacial asymmetry of expressions (*HFA<sub>sy</sub>*) shown on CNBC's video interviews about corporate earnings. We employ a machine-learning approach of face-detection and facial-expression-recognition based on conventional neural network to measure CEOs' dynamic *HFA<sub>sy</sub>*. Consistent with the neuropsychological prediction that facial asymmetry induces distrust, we document that the stock market reacts negatively to the CEO's *HFA<sub>sy</sub>* shown on the interview video. We also find that the abnormal bid-ask spread around the interview date is positively associated with the CEO's *HFA<sub>sy</sub>*. We further show that these effects are more pronounced for firms with weaker information environments. Finally, we document that analyst forecast revisions are negatively associated with CEOs' *HFA<sub>sy</sub>*. Overall, our study provides evidence that investor trust and trading behavior are affected by the dynamic hemifacial asymmetry of expressions appeared on CEOs' faces.



### Prof. HUANG, Rong

Endowed Professor


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Prof. HUANG, Rong received her Ph.D. in accounting from University of Texas at Dallas. She is currently an Endowed Professor in the Department of Accounting at Fudan University. Before joining Fudan, she was an Associate Professor at Cheung Kong Graduate School of Business and an Associate Professor (with tenure) at Baruch College-CUNY. Her research interests lie in the area of performance evaluation, executive compensation, strategic cost analysis, and business valuation. Her research findings were published in various top-tier academic journals, including *The Accounting Review*, *Journal of Accounting Research*, *Review of Accounting Studies*, *Contemporary Accounting Research*, and *Production and Operations Management*.



Date: 12 May 2021 (Wednesday)

Time: 15:00 - 16:30

Venue: Zoom meeting  ID: 920 4823 2957 (password: classroom)  
link: <https://lingnan.zoom.us/j/92048232957?pwd=NzN5ZytLNDFRQmJFZGVH5Sn12cHdndz09>

Language: English

\*\*\* All are Welcome \*\*\*