Lingnan University 嶺南大學

Faculty of Business 嶺南大學商學院

HKIBS Hong Kong Institute of Business Studies 香港商學研究所

FoI Finance & Insurance 財務及保險學系 Lingnan University

# MACROECONOMIC PRODUCTIVITY PERCEPTIONS AND ANOMALIES

This paper studies the heterogeneous effects of subjective macroeconomic productivity expectations on the cross-section of equity returns. We argue that an upward revision in expectations of macroeconomic productivity might be accompanied by an excessive increase in investment and external financing, inflated current equity prices, and thus lowered subsequent returns, particularly for financially constrained firms. Thus, following upward revisions in expectations of macroeconomic productivity, subsequent returns are relatively low for small firms, value firms, low-investment firms, risky firms, unprofitable firms, low-quality firms, and financially distressed firms—all of which are more financially constrained. In sharp contrast, following downward revisions in expectations of macroeconomic productivity, these categories of firms earn relatively high subsequent returns. We find that revisions in subjective expectations of macroeconomic productivity induce strong predictable time variation in a large set of anomalies. In particular, favorable revisions in expectations of macroeconomic productivity predict significantly stronger profitability, quality, distress, and low-risk anomalies but weaker value, investment, and size anomalies.

**2 February 2024 (Friday)**

**9:30am – 11:00am**

**SEK205, 2/F, Simon & Eleanor Kwok Building**

**English**

## SPEAKER:

**Dr. SU Zhiwei**
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Zhiwei Su is a Research Assistant Professor in Finance at the University of Macau. He received his PhD degree from Tsinghua University PBC School of Finance in 2022, and bachelor's degree from University of International Business and Economics in 2017. His research interests center around asset pricing and behavioral finance. His papers have been presented at WFA, CICF and FMA.

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