EMORY COLLEGE OF ARTS AND SCIENCES | Quantitative Theory and Methods

Faculty Lecture Series

2019-2020

Value at Risk, Cross-Sectional Returns and the Role of Investor Sentiment

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Date: 12/06/2019
Time: 10:00 am – 11:30 am
Location: Atwood 316

Abstract: In this paper, we find that the relationship between the value-at-risk (VaR) and expected returns is negative and this negative relationship between the VaR and expected returns can be explained by volatility in the U.S. market. However, for different levels of investor sentiment, this relationship changes. For a high sentiment period, VaR is negatively related with the expected return and cannot be explained by momentum, short-term reversal, volatility, and financial distress. In comparison, the relation between the VaR and expected returns during a low sentiment period is mixed.