

Seminar

Narrative Asset Pricing: Interpretable Systematic Risk Factors from News Text

Dr. Yinan Su

Johns Hopkins University

Venue: LAU-7-208

Date: 7 March 2023 (Tuesday)

Time: 3 pm – 4:30 pm

Abstract:

We seek fundamental risks from news text. Conceptually, news is closely related to the idea of systematic risk, in particular the "state variables" in the ICAPM. News captures investors' concerns about future investment opportunities, and hence drives the current pricing kernel. This paper demonstrates a way to extract a parsimonious set of risk factors and eventually a univariate pricing kernel from news text. The state variables are reduced and selected from the variations in attention allocated to different news narratives. As a result, the risk factors attain clear text-based interpretability as well as top-of-the-line asset pricing performance. The empirical method integrates topic modeling (LDA), latent factor analysis (IPCA), and variable selection (group lasso).

Biography:

Yinan Su is an Assistant Professor of Finance at the Carey Business School of the Johns Hopkins University. His research interests include banking, asset pricing, financial econometrics, and economic networks. Before joining Carey, Yinan Su earned his PhD degree from the University of Chicago's Joint Program in Financial Economics and a bachelor's degree in economics and finance from Tsinghua University.

Your attendance is most welcome!



Department of
Management Sciences

香港城市大學
City University of Hong Kong