EDMUND LEE

Finance Department, The Wharton School
University of Pennsylvania
3620 Locust Walk, Suite 2300
Philadelphia, PA 19104, USA

Phone (cell): (267) 230-7319
E-mail: pklee@wharton.upenn.edu
Webpage: https://fnce.wharton.upenn.edu/profile/1029/

EDUCATION

UNIVERSITY OF PENNSYLVANIA, Philadelphia, PA — Fall 2007 – present

Ph.D. in Finance, The Wharton School, expected June 2013

UNIVERSITY OF PENNSYLVANIA, Philadelphia, PA — Fall 2002 – Summer 2006

Bachelor of Science in Economics, Concentration in Finance, The Wharton School, August 2006
Bachelor of Arts in Mathematics, Minor in Economics, The College of Arts and Science, August 2006
Honors: Dean's List (02-03, 03-04, 04-05), Beta Gamma Sigma Honor Society, Wharton Research Scholars

RESEARCH INTERESTS

Empirical Asset Pricing, Behavioral Finance, Share Turnover

RESEARCH PAPERS

"Individual Stock Sentiment, Stock Issuance, and Financial Market Anomalies" (Job Market Paper)

"Why do High Prices Coincide with High Turnover? The case of the Hong Kong Derivative Market" (Work in Progress)

TEACHING EXPERIENCES

Teaching Assistant, The Wharton School, University of Pennsylvania

FNCE 205/720 – Investment Management (Undergraduate and MBA), Prof. Donald B. Keim, Fall 2008, Fall 2011, Fall 2012
FNCE 205/720- Investment Management (Undergraduate and MBA), Prof. Robert F. Stambaugh, Fall 2010
FNCE 239- Behavioral Finance (Undergraduate and MBA), Prof. Yu Yuan, Spring 2011
FNCE 206- Financial Derivatives (Undergraduate and MBA), Prof. Philip Bond, Fall 2008

SCHOLARSHIPS/GRANTS/AWARDS

University of Pennsylvania Dean's Fellowship for Distinguished Merit (2007-2011)
Rodney L. White Center Research Grant (2010)
AFA Student Travel Award (2010)
Hong Kong Special Administrative Region Government Scholarship (2000)
Ranked top 40 of 140,000 grade 11/Form 5 students **(0.0003%)** who sat for the HKCEE public examination.

OTHER EXPERIENCES AND SKILLS

Excellent knowledge of SAS/SQL and using large datasets like CRSP and Compustat. Proficient in other statistical packages like Matlab and Stata.
Yale Behavioral Finance Summer Camp, Summer 2009
Summer Actuarial Intern, Cigna Corporation, Philadelphia, PA, Summer 2003
Passed Exam P and Exam FM of the Society of Actuaries actuarial exams.

THESIS COMMITTEE

Donald Keim (Chair)
John B. Neff Professor of Finance
Finance Department, The Wharton School
University of Pennsylvania
Phone: (215) 898-7685
Email: keim@wharton.upenn.edu

A. Craig MacKinlay
Joseph P. Wargrove Professor of Finance
Finance Department, The Wharton School
University of Pennsylvania
Phone: (215) 898-5309
Email: acmack@wharton.upenn.edu

Robert F. Stambaugh
Miller Anderson & Sherrerd Professor of Finance
Finance Department, The Wharton School
University of Pennsylvania
Phone: (215) 898-5734
Email: stambaugh@wharton.upenn.edu

Yu Yuan
Assistant Professor of Finance
Shanghai Advanced Institute of Finance
Shanghai Jiao Tong University
Phone: (86) 21-62932114
Email: yyuan@saif.sjtu.edu.cn

RESEARCH ABSTRACTS

"Individual Stock Sentiment, Stock Issuance, and Financial Market Anomalies" (Job Market Paper)

This paper finds evidence that there is an interaction effect between cross sectional variation in individual stock sentiment and a broad set of financial market anomalies. In particular, an average anomaly strategy earns higher (lower) 3-factor alpha conditioned on higher (lower) stock sentiment. This is mainly driven by the highly negative alpha of the high sentiment conditioned short leg of each anomaly. Consequently, buying the low sentiment long leg of each anomaly and shorting the high sentiment short leg of each anomaly yields 0.434% to 0.474% more in monthly three-factor alpha than an unconditional anomaly strategy on average. In contrast, buying the high sentiment long leg of each anomaly and shorting the low sentiment short leg of each anomaly result in no alpha on average.

I present novel evidence that the financial market anomalies are mispricing: firms act as arbitrageurs and tend to issue shares if they are in the short leg of an anomaly. In contrast, firms tend to repurchase shares and/or pay cash dividends if they are in the long leg of an anomaly. Individual stock sentiment exaggerates these effects. In particular, firms in the high sentiment short leg of anomalies trade equity ownership for cash or services (e.g. issuance of shares) while firms in the low sentiment long leg of anomalies pay or trade cash for equity ownership (e.g. cash dividends). The difference, measured using the Daniel and Titman (2006) composite issuance measure, is on average 0.535% to 0.632% per month.

"Why do High Prices Coincide with High Turnover? The case of the Hong Kong Derivative Market" (Work in Progress)

I find that Hong Kong Stock Exchange (HKSE) listed options trade at an average 14% premium to identical options listed on the Hong Kong Futures Exchange (HKFE) due to an identifiable short sale constraint on the HKSE listed options. This represents a gross violation of the law of one price. Using a unique dataset available from HKSE, I can approximate the trading activities due to "high frequency traders" and "buy-and-hold traders"- and glean insights into why there is a high correlation between prices and turnover, as is common in other episodes of asset pricing under short sale constraint. My findings is that the correlation is not entirely due to rational high frequency trading (Cochrane (2002)) and not entirely due to "irrational" investors (Lamont and Thaler (2003)), but some dynamics between the two. High prices and high turnover persists in our data, even though rational (profitable) high frequency trading accounted for at least 78.25% of the total turnover. Market makers in the overpriced market lose an average of at least 4.94M USD per month to "high frequency traders" (19.74% annualized return from the perspective of the high frequency traders), but are able to earn this back from selling overpriced options to "buy-and-hold traders". I also unearth a new dynamic in which high turnover is used as a tool for grabbing attention of "irrational" investors, which plays a central role in sustaining the high prices in our paper.