BRAD CANNON

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EMPLOYMENT

Brigham Young University, BYU Marriott School of Business, Provo, UT
Visiting Assistant Professor of Finance   2020 – Present

EDUCATION

The Ohio State University, Fisher College of Business, Columbus, OH
Ph.D. in Finance   2015 – 2020

Utah State University, Jon M. Huntsman School of Business, Logan, UT
M.S. in Financial Economics   2014 – 2015
B.S. in Finance and Economics   2008 – 2014

RESEARCH INTERESTS

Behavioral Finance, Empirical Asset Pricing

RESEARCH

The Value of a Neighbor: The Real Impact of Neighboring Firm Valuations

Abstract: A firm's investment responds to the stock valuations of other firms headquartered nearby. This response is stronger among financially constrained firms, is robust to controlling for the actual investment of other firms in the region, and is driven by the valuations of large firms. These findings are difficult to reconcile with traditional theories that link investment opportunities to firm valuations, but instead suggest that a firm's ability to raise external finance rises and falls with the stock valuations of other firms located nearby. Consistent with this explanation, I document that financially constrained firms issue more debt and receive lower loan spreads when neighboring firms have higher stock valuations.

Perception of Performance and Return Extrapolation

Abstract: I provide evidence of return extrapolation in the cross-section of stocks. Consistent with recent findings that investors perceive performance in terms of price changes (Hartzmark and Solomon 2020), cross-sectional return extrapolation comes entirely from capital gains. Stocks that do not pay dividends (capital-gain stocks) experience greater return extrapolation. Dividend-paying stocks, however, not only experience less return extrapolation, but extrapolation is altogether absent, suggesting that a biased perception of performance can impact the degree of return extrapolation at the stock level. Using the dividend-paying status of a stock as a proxy for exposure to return extrapolation, I then test asset pricing predictions from models of return extrapolation. Consistent with return extrapolation models, I show that the value premium and long-term reversal are stronger among capital-gain stocks. Momentum, however, is stronger among dividend-paying stocks and, consequently, does not appear to be a result of return extrapolation.

Do Reference Prices Impact How Investors Respond to News? (with Hannes Mohrschladt)

Abstract: We provide evidence that reference prices impact how investors respond to news. When current prices are farther from a reference price, investors react more strongly to news. We first document that individual investors are more (less) likely to sell a stock following bad (good) news when the stock's trading price is farther from the investor's purchase price. Motivated by this micro-level evidence, we construct a stock-level measure to capture the distance between a stock's trading price and its purchase price for the average investor. We provide evidence that this distance from purchase price produces a substantial amount of cross-sectional variation in the degree to which stocks over- or underreact to news. Stocks trading farthest from their purchase price react more strongly to news than stocks trading near their purchase price. Consistent with relative overreaction, stocks trading farthest from their purchase price also exhibit greater return reversals following news days. We document that a cross-sectional strategy exploiting these return patterns earns a monthly alpha of 0.93%. These findings are distinct from alternative explanations related to size, illiquidity, and volatility. Our evidence instead suggests that reference prices have a meaningful impact on how investors respond to news.

TEACHING

Brigham Young University, BYU Marriott School of Business, Provo, UT
Instructor, Investments (Undergraduate)   Fall 2020

The Ohio State University, Fisher College of Business, Columbus, OH
Instructor, Investments (Undergraduate)   Spring 2019

Utah State University, Jon M. Huntsman School of Business, Logan, UT
Instructor, Introduction to Economics (Undergraduate)   Summer 2015

The Ohio State University, Fisher College of Business, Columbus, OH
SAS Workshop Instructor (Graduate)   2018
Introduction to SAS Programming Instructor (1st year Finance Ph.D.)   2017
Teaching Assistant for Justin Birru, Behavioral Finance (Undergraduate and Graduate)   2016-2020
Teaching Assistant for Thien Nguyen, Fixed Income (Undergraduate and Graduate)   2015-2020
Teaching Assistant for Fousseni Chabi-Yo, Investments (Undergraduate)   2015

PROFESSIONAL ACTIVITIES

Conferences: Yale Whitebox Advisors Graduate Student Conference (2019)

Seminars: The Ohio State University (2019), Ohio University (2019), Brigham Young University (2019)

Discussant: Ph.D. Conference on Real Estate and Housing (2018)

Referee: Journal of Banking and Finance, PLOS One

OTHER INFORMATION

Languages: English, Intermediate French
Programming: Python, SAS, Stata