# LOUIS Z. YANG

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## EDUCATION

**University of Southern California, Marshall School of Business, Los Angeles, CA**
Ph.D. Finance and Business Economics *2015 - Present*

**University of Pennsylvania, Wharton School of Business, Philadelphia, PA**
B.S. Economics *2010 - 2015*
Minor Mathematics

## RESEARCH

### *Working Papers*

1. **The Great Divorce Between Investment and Profitability** with Mete Kilic and Ben Zhang

   *Abstract:* We study the cross-sectional relation between investment, profitability, and equity returns over the last century. The correlation between the investment and profitability factors is negative in the data from the 1920s to the late 1970s, and turned positive in the last four decades. The once positive association between firm investment and profitability in the cross-section also became strongly negative since the late 1970s. We ascribe this fundamental change to a downward shift in the discount rates of long-term cash flows, which we document in the data. We develop a model where firms invest in short- and long-term projects. Responding to low discount rates, firms invest more in long-term projects, reversing the cross-sectional relation between contemporaneous investment and profitability. Our model quantitatively accounts for the relation between investment and profitability as well as their corresponding return spreads before and after the late 1970s. Further evidence suggests that the rise of venture capital in the late 1970s may have played an important role in the divorce between investment and profitability.

2. **Aggregate Underreactions to Public Information**

   *Abstract:* Publicly available accounting data forecasts aggregate stock market returns both in and out-of-sample. A predictive factor constructed from a panel of accounting variables obtains out-of-sample $R^2$ statistics of up to 3.05% on month-ahead market returns, and mean-variance investors would be willing to pay an annual fee of up to 6.81% to access its forecasts. The predictive power is consistent with slow-information processing due to investor inattention. The predictability is concentrated in short-horizon market returns, and the factor predicts cash flow news but not expected returns. Using the Google search index to proxy for investor attention, I find that the predictive power of public information is low when investor attention is high.

### *Work in Progress*

1. **Employee 401(k) Holdings and Expected Returns** with Don Keim and Ben Zhang
2. **Clean $q$ and Expected Returns**

## CONFERENCE PRESENTATIONS

Midwest Finance Association (MFA), Chicago, IL *Mar 2019*
Presented by coauthor: **The Great Divorce Between Investment and Profitability**

Financial Management Association (FMA), San Diego, CA *Oct 2018*
Presented: **Aggregate Underreactions to Public Information**

Trans-Atlantic Doctoral Conference (TADC), London, UK *May 2017*
Presented: **Aggregate Underreactions to Public Information**

## AWARDS

USC Graduate School Summer Grant *Mar 2019*

## PROFESSIONAL ACTIVITIES

*Organizing Committee* for 6th Annual USC Finance Ph.D. Conference *Nov 2017 - June 2018*
*Discussant* at Trans-Atlantic Doctoral Conference *May 2017*

## ACADEMIC AND PROFESSIONAL EXPERIENCE

| | |
|---|---|
| *Research Assistant* for Wayne Ferson, Los Angeles, CA | *July 2016 - Present* |
| *Research Assistant* for Fernando Zapatero, Los Angeles, CA | *Aug 2015 - May 2016* |
| *Research Assistant* for Donald Keim, Philadelphia, PA | *Aug 2014 - July 2015* |
| *Investment Research Intern* at Highland Consulting Associates, Cleveland, OH | *June 2013 - Aug 2013* |

## TEACHING POSITIONS

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|---|---|
| *Instructor* for Business Finance (Undergraduate) | *May 2019 - Present* |
| *Instructor* for Academy of Finance (High School) | *Aug 2017 - Present* |
| *Teaching Assistant* for Wayne Ferson, Asset Pricing II (Ph.D.) | *Aug 2017 - May 2018* |
| *Teaching Assistant* for Fernando Zapatero, Asset Pricing I (Ph.D.) | *Aug 2017 - May 2018* |

## SKILLS

**Programming & Computing** R, Python, cloud computing (AWS), SQL, MATLAB, SAS, Stata