

Yuna Heo

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ACADEMIC EMPLOYMENT

The Hong Kong Polytechnic University, School of Accounting and Finance, 2015-
Assistant Professor in Finance

EDUCATION

Rutgers University, Rutgers Business School, Department of Finance, 2009-2015
Ph.D., Finance, May 2015

Korea Advanced Institute of Science and Technology (KAIST), 2008-2009
Doctoral Program in Management Engineering

Ewha Woman's University
M.S., Finance, 2006-2008
B.S., Business, 2003-2006 (Early Graduation)

RESEARCH INTERESTS

Asset Pricing, Banking, Behavioral Finance, Climate Risk, Fintech

WORKING PAPERS

“Money Illusion, Heterogeneous Beliefs, and Mispricing” previously titled “Does Money Illusion Delude Investors? Evidence from Anomalies”
(2017 World Finance Conference, 2015 Hong Kong Joint Finance Research Workshop, 2015 Financial Management Association, 2015 Pacific Basin Finance, Economics, Accounting, and Management)

ABSTRACT: This paper investigates the role of money illusion in the anomaly-based strategies. To the extent that anomalies reflect mispricing, I examine whether money illusion predicts anomaly returns. I find that, following high inflation, anomalies are stronger and the returns on the short-leg portfolios are lower. These findings indicate that money illusion leads to mispricing in the stock market. I explore the source of money illusion-driven mispricing. I find that money illusion negatively predicts forecast errors and dispersion. These results suggest that investors overestimate the upside potential of stock returns following high inflation and are subsequently surprised by the return reversal.

“Loan Loss Provisions and Bank Stock Returns”

ABSTRACT: This paper studies the linkage between Loan Loss Provisions (LLP) and bank stock returns. First, we document the LLP anomaly that low- LLP bank stocks have higher returns than medium- and high- LLP bank stocks. The model of disaster framework explains why investors earn higher returns on low- LLP bank stocks. Most importantly, the new factor model including the LLP return factor reduces the magnitude of LLP and size anomalies mostly to insignificance. These findings suggest that the LLP return factor, along with its economic intuition, can be used to obtain the expected estimates of bank stock returns in practice.

“Herding Behaviors in Lending and Bank Risk-Taking”

ABSTRACT: I find that herding behavior in lending is positively associated with the risk-taking by banks. Big banks are more likely to engage in herding behavior and excessive risk-taking. Bank herding is also positively correlated to the risk-adjust

returns of bank stocks. Overall results suggest that herding behavior in lending have incentives to make banks riskier, which may lead to the ‘Too-many-to-fail’ problem.

“Does Happiness Induce Corporate Investment? Evidence from Across Countries” (with Fangfang Hou and Seongkyu “Gilbert” Park)

(2018 Midwest Economic Association, 2017 Asiatic Research Institute)

ABSTRACT: We explore how happiness affects firm-level investment and innovation around the world. Happiness is an important social concept that represents an emotional well-being of individuals. Using the novel data from World Happiness Report, we find that country’s life-ladder and principal component happiness factor are positively correlated with the firm’s capital expenditure. We also find that happiness induces more innovation through firm-level investment. Overall, our findings indicate happiness can act as a boost to corporate investment and innovation. Our study contributes to the literature by providing supporting evidence why individuals’ happiness is an important factor to consider for economic outcome.

“Greasing for developing and sanding for developed: Corruption and innovation around the world” (with Fangfang Hou and Seongkyu “Gilbert” Park)

ABSTRACT: We examine how corruption affects corporate activity using cross-country firm-level data. We find that the corruption plays a different role depending on the country’s development status, that is, whether the country is developed or developing. For developed countries, we find that corruption is positively related with corporate innovation while it is negatively correlated or insignificant with corporate investment. However, in developing countries, higher level of corruption relates to lower level of corporate innovation but higher level of investment. Our findings imply that the corruption works as a channel to encourage firms to focus on what is needed more to their society.

“Corruption, Dodd-Frank Whistleblowing, and Corporate Investment” (with Qingjie “David” Du)

ABSTRACT: We examine how local political corruption affects corporate investment. We find firms in corrupt states produce significantly less investment. Our results indicate that corruption acts as a barrier to firms’ investment. More importantly, we investigate the effects of whistleblowers on the investment behavior of firms in the context of corruption. We find that the negative impact of corruption on investment disappeared after the Dodd-Frank Whistleblower Provision. This implies that the change of legal environment can help firms partially overcome the problems of a corrupted culture. Overall, our results suggest corruption impedes corporate investment but the better policy can help firms reduce the decline in firms’ investment located in corrupted states.

“Flu Epidemic, Limited Attention and Analyst Forecast Behavior” (with G. Nathan Dong)

(2014 Financial Management Association, 2014 China International Conference in Finance, 2013 Behavioral Finance Working Group Conference)

ABSTRACT: This study investigates whether the limited attention caused by exogenous distraction affects financial market participants. We examine the change of analyst forecast behavior during influenza epidemics. We find that higher flu intensity in the New York and New Jersey region is associated with lower degree of

disagreement on target-price forecasts among financial analysts. Furthermore, analysts are more likely to over-predict target-price for high-performing stocks and under-predict target-price for low-performing stocks. We find consistent evidence when we control for the vaccine side-effect. These results suggest that the ability of analyst forecasts is limited by flu epidemic.

WORK IN PROCESS

“Speculative Trading and Bubbles in Bitcoin Price”

“Yolo Lending under Crowd-based Wisdom: Evidence from Peer-to-Peer Loans”

PRESENTATION & DISCUSSION

Midwest Economic Association (2018), scheduled by co-author
Asiatic Research Insitute (2017), presented by co-author
Hong Kong Joint Finance Research Workshop (2017), Discussant
World Finance Conference (2017), Presenter
Financial Management Association (2015), Presenter
Hong Kong Joint Finance Research Workshop (2015), Presenter
PBFEM (2015), Presenter
Financial Management Association (2014), Presenter
China International Conference in Finance (2014), presented by co-author
Behavioral Finance Working Group Conference (2013), Presenter
Financial Management Association (2013), Doctoral Student Consortium Presenter
Financial Management Association (2012), Discussant

HONORS & AWARDS

Start-up Research Grant (HKD 300,000) by department	2015-2018
Literati Award for Outstanding Reviewer in Journal of Risk Finance	2014
Doctoral Student Consortium Fellow, FMA	2013
AFA Student Travel Grant	2013
Dean’s Fund for Summer Research, Rutgers Business School	2010, 2013
Graduate Student Travel Grant, Rutgers Business School	2012, 2013
University Scholarship, KAIST	2008, 2009
The Honor Prize	2006, 2007, 2008
Dean’s List	2005, 2006

SEMINAR PRESENTATION

Hong Kong Polytechnic University, Hitotsubashi University, Chinese University of Hong Kong, University of Sydney, Rensselaer Polytechnic Institute

TEACHING EXPERIENCE

Instructor

The Hong Kong Polytechnic University	
Derivatives Securities	Spring 2017, Spring 2016
Rutgers Business School	
Finance Institution	Spring 2015
Corporate Finance	Fall 2014, Summer 2014, Summer 2012
Futures and Options	Fall 2013

HANDBOOK CHAPTER PUBLICATION

“What Increases Vulnerability to Financial Crisis: Short-Term Financing or Illiquid

Assets?" (with G. Nathan Dong) *Handbook of Financial Econometrics and Statistics*,
C.F. Lee (ed.), Springer, 2015, 64.

SERVICE AND MEMBERSHIP

Referee *Review of Quantitative Finance and Accounting*
 Journal of Alternative Investment
 Journal of Risk Finance
 Asia-Pacific Journal of Financial Studies
Membership AFA, FMA, KAFA

SKILLS

Software: Stata, SAS, R, UNIX, E-views, C++, Visual Basic, Python, Latex
Language: English (fluent), Korean (native)

CV last updated: January 13th, 2018