Stace Sirmans

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Education

Ph.D. Finance, University of Florida, 2014

Dissertation: "Credit Risk Effects in Investments and Corporate Finance"
Chair: Professor Andy Naranjo

B.S. Finance, Florida State University, 2009

Experience

University of Arkansas, Walton College of Business, Fayetteville, AR

Assistant Professor of Finance, 2014–Present

Research

Areas of Research Interest

Investments, Corporate Finance, International Finance, CDS, Financial Distress, Real Estate Markets

Journal Publications

1. Lee, Jongsub, Andy Naranjo, and Stace Sirmans, 2016, Exodus from Sovereign Risk: Global Asset and Information Networks in the Pricing of Corporate Credit Risk, ***The Journal of Finance*** 71, 1813–1856.

2. Sirmans, Stace, G. Stacy Sirmans, and Stanley Smith, 2015, Determinants of Mortgage Interest Rates: Treasuries versus Swaps, ***Journal of Real Estate Finance and Economics*** 50, 34–51.

Completed Working Papers

Related Securities and the Cross-Section of Stock Return Momentum: Evidence from Credit Default Swaps (CDS), with Jongsub Lee and Andy Naranjo.

- Revise & resubmit, ***Review of Financial Studies***
- 2nd Place, 2016 Chicago Quantitative Alliance Annual Academic Competition

CDS Momentum: Slow-Moving Credit Ratings and Cross-Market Spillovers, with Jongsub Lee and Andy Naranjo.

- Semi-Finalist, 2014 FMA Best Paper in Investments

Credit Default Swaps, Equity Risk, and Corporate Risk-Taking, with Hong Liu and Kangzhen Xie.

Dissecting the Value Premium in Publicly Traded Real Estate Markets, with Mariya Letdin and Stacy Sirmans.

- Winner, 2017 ARES Best Paper in Real Estate Investment

Virtual Tours and Observable Agent Effort in Residential Real Estate Transactions, with Justin Benefield and Stacy Sirmans.

- Revise & resubmit, ***Journal of Real Estate Research***

Maturity Clienteles in the Municipal Bond Market: Term Premiums and the Muni Puzzle, with David T. Brown.

Works Near Completion

Sovereign Overhang and the Integration of Equity and Credit Markets, with Jongsub Lee and Andy Naranjo.

Conference Presentations

1. 2018, American Real Estate and Urban Economics Association Annual Meeting in Philadelphia, PA (Dissecting the Value Premium in Publicly Traded Real Estate Markets)*
2. 2017, Southern Finance Association Annual Meeting in Key West, FL (CDS Momentum: Slow Moving Credit Ratings and Cross-Market Spillovers)
3. 2017, Financial Management Association Annual Meeting in Boston, MA (Credit Default Swaps, Equity Risk, and Corporate Risk-Taking)*
4. 2017, American Real Estate Society Annual Meeting in San Diego, CA (Dissecting the Value Premium in Publicly Traded Real Estate Markets)
5. 2017, Southwestern Finance Association Annual Meeting in Little Rock, AR (CDS Momentum: Slow Moving Credit Ratings and Cross-Market Spillovers)
6. 2016, The 14th Paris December Finance Meeting by EUROFIDAI-AFFI-ESSEC in Paris, France (Related Securities and the Cross-Section of Stock Return Momentum)*
7. 2016, Financial Management Association Annual Meeting in Las Vegas, NV (Related Securities and the Cross-Section of Stock Return Momentum)
8. 2016, Chicago Quantitative Alliance Fall Meeting in Chicago, IL (Related Securities and the Cross-Section of Stock Return Momentum)*
9. 2016, Northern Finance Association Annual Conference in Mont Treblant, Quebec (Related Securities and the Cross-Section of Stock Return Momentum)
10. 2016, Financial Econometrics and Empirical Asset Pricing Conference in Lancaster, UK (Related Securities and the Cross-Section of Stock Return Momentum)
11. 2016, European Financial Management Association Annual Meeting in Basel, Switzerland (Related Securities and the Cross-Section of Stock Return Momentum)
12. 2016, 9th Annual Meeting of the Risk, Banking, and Finance Society in Jerusalem, Israel (Related Securities and the Cross-Section of Stock Return Momentum)

13. 2015, Southern Finance Association in Captiva Island, FL (Related Securities and the Cross-Section of Stock Return Momentum)
14. 2015, American Economic Association in Boston, MA (CDS Momentum: Slow Moving Credit Ratings and Cross-Market Spillovers)*
15. 2014, XXIII International Rome Conference on Money, Banking and Finance in Rome, Italy (CDS Momentum: Slow Moving Credit Ratings and Cross-Market Spillovers)
16. 2014, Financial Management Association Annual Meeting in Nashville, TN (CDS Momentum: Slow-Moving Credit Ratings and Cross-Market Spillovers)
17. 2013, Southern Finance Association in San Juan, Puerto Rico (Exodus from Sovereign Risk)
18. 2013, China International Conference in Finance in Shanghai, China (Exodus from Sovereign Risk)*
19. 2013, WU Gutmann Symposium in Vienna, Austria (Exodus from Sovereign Risk)*
20. 2013, SFS Finance Cavalcade in Miami, FL (Exodus from Sovereign Risk)*
21. 2013, Municipal Finance Conference in Boston, MA (Maturity Clienteles in the Municipal Bond Market)*
22. 2012, Midwest Finance Conference in New Orleans, LS (Maturity Clienteles in the Municipal Bond Market)
23. 2012, American Real Estate Society in St. Petersburg, FL (Determinants of Mortgage Interest Rates)

Presentation by coauthor

Seminar Presentations

2017: Numeric Investors, LLC

2015: Auburn University, University of Arkansas

2013: University of Florida, Texas A&M University, University of Arkansas, Tulane University, Iowa State University, Brigham Young University, Clemson University, University of Missouri

Awards/Honors

1. Winner, 2017 ARES Best Paper in Real Estate Investment
2. 2nd Place, 2016 Chicago Quantitative Alliance Annual Academic Competition
3. Semi-Finalist, 2014 FMA Best Paper in Investments
4. Winner, 2013 WRDS Best Paper in Empirical Finance

Teaching

Undergraduate

Principles of Finance (Fall 2017, Spring 2018)

International Finance (Spring 2017, Spring 2016, Spring 2015)

Debt & Money Markets (Summer 2013)

MBA

Advanced Corporate Finance (Spring 2015)

PhD

Seminar on Investments (Spring 2017)

Service

Dissertation Chair

Liu Hong

Ad-hoc Journal Referee

Journal of Real Estate Finance and Economics

Research Abstracts

Exodus from Sovereign Risk: Global Asset and Information Networks in the Pricing of Corporate Credit Risk (with Jongsub Lee and Andy Naranjo)

Published in the ***Journal of Finance***

Using five-year credit default swap (CDS) spreads on 2,364 companies in 54 countries from 2004 to 2011, we find that firms exposed to stronger property rights through their foreign asset positions (institutional channel) and firms cross-listed on exchanges with stricter disclosure requirements (informational channel) reduce their CDS spreads by 40 bps for a one-standard-deviation increase in their exposure to the two channels. These channels capture effects beyond those associated with firm- and country-level fundamentals. Overall, we find that firm-level global asset and information connections are important mechanisms to delink firms from their sovereign and country risks.

Related Securities and the Cross-Section of Stock Return Momentum: Evidence from Credit Default Swaps (CDS) (with Jongsub Lee and Andy Naranjo)

Revise and resubmit at the ***Review of Financial Studies***

We document that related securities linked through firm fundamentals provide important cross-market return performance information. During 2003-2015, we find significantly stronger stock return momentum for entities whose past stock and CDS returns are in congruence versus entities whose past stock and CDS returns disagree. A dynamic stock trading strategy based on this cross-sectional performance differential earns an annualized alpha of nearly 18% with a Sharpe ratio of 1.37, avoids crash risk, and is robust to out-of-sample tests using international stocks. Relative pricing of credit across related securities explains, in part, the cross-section of stock return momentum.

Credit Default Swaps, Equity Risk, and Corporate Risk-Taking (with Hong Liu and Kangzhen Xie)

This study links the trading of CDS contracts to increased equity risk and reduced corporate risk-taking. Because the CDS hinders successful debt renegotiation with creditors and weakens shareholders' put option to strategically default, equity values of CDS firms are more sensitive to cash flow risk. As a result, we show that the onset of CDS trading is accompanied by a rise in equity market beta and return volatility, particularly for firms with poor credit ratings, higher liquidation costs, and greater CDS market depth. In the years after CDS trading begins, we find that firms reduce corporate risk-taking by pushing for diversification across industries, scaling back risky R&D investment, and reducing demand for leverage.

CDS Momentum: Slow Moving Credit Ratings and Cross-Market Spillovers (with Jongsub Lee and Andy Naranjo)

Using 5-year credit default swap (CDS) contracts on 871 U.S. firms from 2003 - 2015, we show a three-month formation and one-month holding period CDS momentum strategy yields 7.08% per year. We further show significant cross-market momentum spillover from the CDS to the stock and bond markets. A long/short cross-market momentum spillover trading strategy based on the marginal information in past CDS performance generates 8.76% per year in the stock market and 7.68% per year in the bond market, is unexplained by common stock and bond risk factors, and does not exhibit similar crash risk to traditional stock momentum. These CDS momentum and cross-market spillover strategies exist largely because CDS returns correctly anticipate future credit rating changes. Our results highlight the adverse effects of sluggish rating updates in creating information efficiency distortions and investment anomalies.

Sovereign Overhang and the Integration of Equity and Credit Markets Around the World (with Jongsub Lee and Andy Naranjo)

This paper examines the integration of equity and credit markets in 31 countries using firm-level equity and credit prices for 2,359 firms. Despite having fewer impediments to arbitrage, we find that more developed countries exhibit lower integration than developing countries. Instead, integration levels are highest in countries with greater systematic risk, widening sovereign CDS spreads, and heightened policy uncertainty. Strong legal institutions and property rights protections, however, act to block the binding effect that government-driven uncertainty has on related security integration. After accounting for these systematic risk effects, we find that the *idiosyncratic* component of integration is greater in more developed countries with lower limits to arbitrage. Lastly, we find that creditor rights, which may prevent wealth transfers during stockholder/bondholder disputations, are associated with higher equity-credit integration.

Dissecting the Value Premium in Publicly Traded Real Estate Markets (with Mariya Ledkin and Stacy Sirmans)

Do highly discounted, low price-to-NAV REITs outperform because they are riskier or because they are underpriced? This paper contributes to this debate and studies the nature of the value premium in the REIT market. A simple discounted cash flow model shows that a REIT's Price-to-NAV ratio is theoretically driven by expectations regarding asset productivity, safety, and growth opportunities—collectively referred to "quality". While low Price-to-NAV REITs do indeed tend to be low quality, we find that it is not their low quality that explains their outperformance. In fact, only the component of Price-to-NAV *unexplained* by quality that drives the value premium in REITs. We further show that a strategy that buys high quality, low price-to-NAV REITs and sells short low quality, high price-to-NAV REITs generates more than 13% per year, outperforming a simple price-to-NAV value strategy by 6% per year. This strategy's temporal performance is mostly unrelated to economic and stock market conditions and strongly negatively related to sentiment in the real estate market. Overall, the evidence supports a mispricing explanation for the price-to-NAV value premium in the REIT market.