William Waller

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Employment & Affiliations

Tulane University, New Orleans, LA

Assistant Professor of Finance — July 2019-present

Visiting Assistant Professor of Finance — January 2019-June 2019

Carnegie Mellon University, Pittsburgh, PA

Post-doctoral Fellow in Finance — September 2015-May 2017

Education

The University of North Carolina, Chapel Hill, NC

Ph.D. in Business Administration – Finance — May 2015

Texas Tech University, Lubbock, TX

M.S. in Personal Financial Planning — May 2009
Minor in Finance

B.S. in Animal Science — May 2007
Summa cum Laude with Honors
Minors in Agribusiness Management and Chemistry

Publications

Revealing Shorts: An Examination of Large Short Position Disclosures
with Charles M. Jones and Adam V. Reed
Review of Financial Studies, 2016, 29(12): 3278–3320.

How Important is Financial Risk?
with Gregory W. Brown and Söhnke M. Bartram
Journal of Financial and Quantitative Analysis, 2015, 50(4): 801–824.

Working Papers

Evaluating Private Equity Performance Using Stochastic Discount Factors
with Oleg Gredil and Morten Sørensen

We examine the performance of 2,750 private equity funds incepted during 1979-2008 using the discount factors implied by the two leading consumption-based asset pricing models (CBAPMs): Habit Formation and Long-run Risks. Our approach is motivated by the observation that investment mandates and cash flow patterns of university endowments and public pension funds are strongly consistent with the preferences of a representative investor in those models. Under these discount factors, venture capital did not destroy value in post-2000 vintages and has outperformed buyouts and generalists in the full sample, in contrast to CAPM-based evidence. Also we find that 2007-08 venture vintages has been on track to provide a relatively good hedge for consumption shocks during and post crisis in comparison to buyout funds. Moreover, there is virtually no spike in private equity excess returns in late 90s according to CBAPMs.

When Brokerages Restrict Retail Investors, Does the Game Stop?
with Charles M. Jones and Adam V. Reed

In this paper, we study a recent, high-profile 2021 event, often known as the GameStop episode, where Robinhood and several other retail-oriented brokerage firms restrict equity purchases and/or options positions in GameStop equity and around 30 other stocks. While these restrictions are short-lived, lasting from a day to just over a week, and have at most modest effects on trading volume and equity bid-ask spreads, they have large effects on stock returns and options markets. We find that when equity restrictions are imposed, affected stocks fall in price, with cumulative abnormal returns of -18.53% in the first two hours and -95.34% in the first five trading days of equity restrictions. When restrictions are later lifted, share prices do not reverse their earlier declines. Traders also move from equities to the options markets, with large increases in options trading volumes and open interest. Options prices rise sharply in implied volatility terms, and implied volatilities rise by much more than realized volatilities. Options purchasers are thus wildly overpaying to buy puts and calls, which create large transfers from options purchasers to options market-makers and other options sellers.

Taxes and the Fed: Theory and Evidence from Equities
with Anthony M. Diercks

We provide a critical theoretical and empirical analysis that suggests a key driver of fiscal effects on equity markets is the Federal Reserve. For the Post-1980 era, tax cuts lead to higher cash flow news and higher discount rates. The discount rate news tends to dominate such that tax cuts are associated with lower equity returns. For the Pre-1980 era, the results flip. This empirical instability is confirmed across multiple measures of tax shocks at different frequencies. We motivate our empirical findings with a standard New Keynesian model that exhibits a shift in the aggressiveness of monetary policy.

The 283 Days of Stock Returns after the 2016 Election
with Anthony M. Diercks and Daniel Soques

Conventional wisdom suggests that the promise of tax legislation played an impor- tant and positive role in the 25% increase in the stock market that began on November 9, 2016 and continued through December 22, 2017 (the day TCJA was signed into law). Our comprehensive and exhaustive analysis confirms its positive effect. However, we find that its net impact is surprisingly modest. To come to this conclusion, we first construct a novel daily human-based attribution by carefully reading the news on each of the 283 days. This exercise shows the 52 days in which tax-related news was important make up less than 1% of the total observed return. We attribute large gains to tax-related news immediately after the election as well as the build-up to passage in late 2017. However, key events in the summer of 2017 decreased the prospects for tax legislation, which wiped out most of the gains that we attributed to tax policy over the full sample. This "up, down, and up again" narrative is corroborated across a wide-range of alternative approaches, including (1) a machine-driven textual analysis based on over 1,500 possible specifications, (2) a novel probability measure tied to the passage of tax legislation constructed from prediction markets, (3) the relative performance of high tax firms compared to low tax firms, (4) a daily attribution based on firm-level regressions, and (5) several macroeconomic financial indicators. The relatively modest estimated effects are consistent with the market potentially being more driven by strong global growth, a weaker dollar (which coincided with a reduction in the likelihood of passage of tax legislation), and numerous below-expectations inflation prints (keeping monetary policy at bay) that fortuitously occurred over this time period.

Default, Recovery, and the Macroeconomy

While recent theoretical research has highlighted the importance of time-series variation in the cost of financial distress in explaining well-document corporate debt puzzles, empirical research has found that estimates of firm recovery rates are unrelated to overall market conditions. This paper answers the question: do default costs vary across the business cycle or are aggregate measures of default costs simply picking up differences in asset quality? Specifically by jointly estimating a model of ex-ante recovery rates and default probabilities, I find that a one standard deviation increase in the level of interest rates is associated with a 0.3% increase in the cost of default (decrease in recovery rate) and with firms liquidated 13 months earlier than the case of no change in interest rates. Moreover, a one standard deviation increase in the slope of interest rates is associated with a 0.7% decrease in the cost of default (increase in recovery rate) and with firms delaying the default decision 45 months than in the case of no change in interest rates.

Yes, U.S. Stocks are Getting Riskier
with Gregory W. Brown

Over the last few decades U.S. stocks have become significantly more volatile. This result holds even when excluding the financial crisis period of 2008-2009. Both the market index and individual stocks have become more volatile indicating that higher volatility is not just the result of higher idiosyncratic risk or increased correlations among stocks. Instead, the increase in risk is due entirely to more frequent and more extreme spikes in volatility. We find that after decomposing volatility into a long-run component and a transitory component, there is no meaningful trend in the long-run component. In contrast, our measure of transitory volatility has tripled over the last 40 years. The upward trend in the transitory component is primarily the result of changing characteristics of the typical publicly-traded firm due to the appearance of many new and riskier firms (e.g., technology stocks). Our findings show that the expansion of U.S. stock markets in recent decades has fundamentally altered the types of risks born by equity investors.

Research in Progress

The Real Effects of Short-side Disclosures
with Charles M. Jones and Adam V. Reed

The Yield Curve as a Predictor of Equity Risk Premia: A Long Run Perspective
with Nishad Kapadia

Improving Estimates of Risk-neutral Moments from Stock Options
with Nishad Kapadia and Qinzheng Xu

Presentations

2021
- European Economics Association Annual Congress, Copenhagen, Denmark

2020
- Northern Finance Association Annual Meeting, Banff, AB, Canada

2019
- Midwest Finance Association Annual Meeting, Chicago, IL

2018
- Tulane University
- Louisiana State University

2016
- Financial Management Association Annual Meeting, Las Vegas, NV
- Midwest Finance Association Annual Meeting, Atlanta, GA

2015
- Eastern Finance Association Annual Meeting, New Orleans, LA
- Securities and Exchange Commission
- George Washington University

2012
- European Finance Association Annual Meeting, Copenhagen, Denmark
- FDIC-Cornell-UH Derivative Securities and Risk Management Conference

2011
- Conference on Financial Economics and Accounting, Bloomington, IN

2009
- Southwest Finance Association Annual Meeting, Oklahoma City, OK

Teaching

Tulane FINE 4100: Advanced Financial Management
- Fall 2021 (3 Sections), Fall 2020 (3 Sections), Fall 2019 (3 Sections), Spring 2019 (2 Sections)

CMU 70-495: Corporate Finance (Case Studies)
- Spring 2017 (2 Sections), Spring 2016 (2 Sections)

UNC BUSI 408: Corporate Finance
- Spring 2014 (2 Sections), Summer 2013

Professional Service

Referee - Journal of Financial and Quantitative Analysis (2021, 2019), Journal of Banking and Finance (2021, 2016), Review of Finance (2015)

Discussant - Transparency And Market Structure Conference (2021), Northern Finance Association (2020), Midwest Finance Association (2016), Eastern Finance Association (2015)

Popular Press

Vlastelica, R., "Why the Disney deal suggests the tax bill may mean little for the economy," *MarketWatch*, December 16, 2017.

Lahart, J., "The Fed Versus Tax Cuts," *The Wall Street Journal*, December 12, 2017.

Boesler, M., "Fed Study Suggests Trump May Have Fed to Thank for Stock Rally," *Bloomberg*, October 12, 2017.

Gandel, S., "The Big Board's 'Icky' Attack on Short-Sellers," *Bloomberg*, June 30, 2017.

Powell, R., "How to better understand your risk tolerance," *MarketWatch*, May 23, 2012.

Hough, J., "Why the Stock Market Has Turned Bipolar," *Smart Money*, August 11, 2011.

McDermott, M., "Funds Drop Redemption Fees as Market-Timing Fears Wane," *BoardIQ*, July 5, 2011.

Brown, J., "The Fee That Makes You Money," *Banking My Way*.

Awards

Kenneth Black, Jr. Award (3rd place), *Journal of Financial Services Professionals*, 2018

American Finance Association Doctoral Student Travel Grant, 2012

Inquire Europe Research Grant (€10,000), 2011

Best Paper Award Academy of Financial Services Annual Meeting, 2009

Best Paper Award Academy of Financial Services Annual Meeting, 2008

College of Agricultural Sciences and Natural Resources Banner Bearer, 2007

Presidential Endowed Scholar, 2003–2007

College of Agricultural Sciences and Natural Resources Dean's Scholar, 2003–2007

Carl B. and Florence E. King Foundation Scholar, 2003–2007

Other Publications

Waller, W., D. Nanigian, and M.S. Finke, 2018, Redemption Fees: Reward for Punishment, *Journal of Financial Services Professionals*, 72(2): 49–68.

Finke, M.S., S.J. Huston, and W. Waller, 2009, Do Contracts Impact Comprehensive Financial Advice? *Financial Services Review* 18(2): 177–194.

Hanna, S.D., W. Waller, and M.S. Finke, 2008, The Concept of Risk Tolerance in Personal Financial Planning, *Journal of Personal Finance* 7(1): 96–108.

References

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Professor and Sarah Graham Distinguished Scholar of Finance, UNC at Chapel Hill
Director of the Frank Hawkins Kenan Institute of Private Enterprise
Dissertation Committee Chair

Charles M. Jones (cj88@columbia.edu, +1.212.854.4109)
Robert W. Lear Professor of Finance and Economics, Columbia University

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Professor and Julian Price Distinguished Scholar of Finance, UNC at Chapel Hill