

# XING HUANG

Department of Finance, Michigan State University  
Eppley Center, 645 N. Shaw Lane, Rm 308, East Lansing, MI 48824  
Phone: (517) 432 - 5992 · Email: [huangx@bus.msu.edu](mailto:huangx@bus.msu.edu)  
Website: <https://sites.google.com/site/xinghuangcal/>

## ACADEMIC APPOINTMENT

Assistant Professor Department of Finance, Michigan State University 2013 - Present

## EDUCATION

Ph.D.	Economics	University of California, Berkeley	2013
M.A.	Finance	Guanghua School of Management, Peking University	2007
B.A.	Finance	Guanghua School of Management, Peking University	2005

## RESEARCH FIELDS

**Research Fields:** Behavioral Finance, Investor Behavior, Market Efficiency, Information Acquisition, Mutual Funds, Asset Pricing

## WORKING PAPERS

1. **Thinking Outside the Borders: Investors' Inattention to Foreign Operations**<sup>1</sup> (Revise and Resubmit at *the Review of Financial Studies*)

*Abstract:* I use industry-level returns in foreign markets to examine the hypothesis that value-relevant foreign information slowly diffuses into the stock prices of multinational firms. A trading strategy that exploits foreign-market information generates abnormal returns of 0.8% monthly. The return predictability is not driven by domestic or global industry momentum nor by anticipated changes in future risks. The effect is most pronounced for small, opaque, and geographically dispersed firms, and also for firms with relatively small foreign operations. Stock prices are more sensitive to foreign information around quarterly earnings announcements and when there is relatively more intensive media coverage of foreign events. Stock prices also respond more quickly to information from English-speaking and European countries relative to Asian countries. These results are consistent with investors' limited attention and processing capacity for foreign information.

2. **Mark Twains Cat: Industry Investment Experience, Categorical Thinking and Stock Selection** (Submitted to *the Journal of Finance*)

*Abstract:* This paper examines the impact of prior investment experience in a specific investment category on the subsequent purchase decisions in that category. I initially focus on industry as the relevant categorization scheme. Using trading records data for households at a large discount broker from 1991 to 1996, I establish that the experience of positive excess returns in a given industry increases the probability of purchasing similar stocks in that industry relative to other industries. This result is robust to industry momentum, wealth effects, and investor heterogeneity. The effect weakens for distant experiences, and for sophisticated or diversified investors. These results are consistent with mechanisms where investors put more weight on their own experience than on other available historical information when

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<sup>1</sup>A previous version of the paper was distributed under the title "Gradual Information Diffusion in the Stock Market: Evidence from U.S. Multinational Firms"

updating the beliefs about an industry's future return. The results are also consistent with investors learning about their stock-picking ability in an industry from their experienced outcomes. Furthermore, the industry experience effect I identify is not evident in the sample when size and value are used to create investment categories. This suggests that there is something particularly salient about industry groupings which, coupled with experience-related behavior, may give rise to the well-known industry momentum effect that is absent in size- or value-based categories.

3. **Which Risk Factors Matter to Investors? Evidence from Mutual Fund Flows** (with Brad Barber, Terrance Odean)

*Abstract:* When selecting an actively managed equity fund, investors seek to identify fund managers who are able to generate positive risk-adjusted performance (alpha). To assess risk-adjusted performance, investors must apply a model of risk when ranking funds; thus, we can infer the risk model that investors use by the fund choices that they make. Based on this observation, we analyze the sensitivity of fund flows to alphas calculated using competing models of risk: market-adjusted returns, the Capital Asset Pricing Model (CAPM), the Fama-French three-factor model (which adds size and value factors), and the Carhart four-factor model (which adds a momentum factor). We first find that the CAPM-based alpha better explains fund flows than the three- or four-factor alphas. We then decompose fund returns into five categories (1) four-factor alpha and returns that can be traced to the (2) market (beta), (3) size, (4) value, and (5) momentum tilts of the fund. We find that investors are most sensitive to a funds alpha. Fund returns that can be traced to size, value, or momentum are discounted, but not much (with sensitivities ranging from 67-84% of that observed for alpha). However, fund returns that can be traced to the market beta of the fund are heavily discounted (with a sensitivity less than 25% of that observed for alpha). These results indicate that investors care about market risk when evaluating mutual funds, but most do not treat factor returns as compensation for risk when evaluating the performance of actively managed mutual funds.

4. **Rushing into American Dream? House Prices, Timing of Homeownership, and Adjustment of Consumer Credit** (with Sumit Agarwal, LuoJia Hu, under review at a special issue of *the Journal of Money, Credit, and Banking*)

*Abstract:* In this paper we use a large panel of individuals from Consumer Credit Panel dataset to study the timing of homeownership as a function of credit constraints and expectations of future house price. Our panel data allows us to track individuals over time and we model the transition probability of their first home purchase. We find that in MSAs with highest quartile house price growth, the median individual become homeowners earlier by 5 years in their lifecycle compared to MSAs with lowest quartile house price growth. The result suggests that the effect of expectation dominates the effect of credit constraints and high price growth leads individuals to purchase home earlier. We further study other credit/loan behaviors around first-home purchases for young and old buyers. We find that younger buyers make more adjustments in their finances after the purchase taking out more debt/credit, and yet they do not appear to experience larger increase in delinquency than older buyers.

## WORK IN PROGRESS

5. Swimming with Sharks: Venture Capitalists' Decision Making (with Zoran Ivkovich, John Jiang, Isabel Wang)
6. Gaming the Cutoff: FICO Manipulation and the Real Estate Crisis (with LuoJia Hu, Andrei Simonov)
7. Understanding Context-Dependent Probability Weighting through Field Experiment of Lottery Pools (with Hayong Yun)
8. Investors' Underdiversification: A Field Experiment with Financial Brokerage Accounts (with Jing Cai)

**PRESENTATIONS & DISCUSSIONS**

- 2014 AAEA<sup>†</sup>, CICF (Discussant)<sup>†</sup>, FIRS (Discussant)<sup>†</sup>, Helsinki Finance Summit\*<sup>†</sup>, IBEFA<sup>†</sup>, JOIM\*, University of Stavanger\*, WFA Annual Meeting<sup>†</sup>
- 2013 AFA Annual Meeting, Arrowstreet Capital, Chicago Fed, Cornerstone Research, Dallas Fed Housing, Stability and the Macroeconomy Conference, Helsinki Finance Summit, Michigan State University, PDT Partners, SEC, Temple University, University of Illinois Chicago, University of Toronto, Virginia Tech, Yale University
- 2012 Academy of Behavioral Finance & Economics Annual Meeting, Chicago Fed, EconCon, Miami Behavioral Finance Conference, Olin Business School Corporate Finance Conference (Poster), UC Davis (Finance), UC Berkeley (Finance, Economics), WEAI Annual Meeting (Discussant)
- 2011 Chicago Fed, LBS Transatlantic Doctoral Conference, UC Berkeley (Finance, Economics)
- 2010 UC Berkeley (Economics)
- † - scheduled, \* - presented by coauthors

**INVITED PARTICIPATION**

- 2011 NBER Entrepreneurship Boot Camp (Cambridge), Price Theory Summer Camp (Chicago)
- 2010 Summer Institute in Behavioral Economics (Trento, Italy)
- 2009 Yale Summer School in Behavioral Finance (New Haven)

**HONORS AND AWARDS**

- 2012 Stuart I. Greenbaum Best Finance Ph.D. Dissertation Award, Finalist
- 2011 American Finance Association Student Travel Grant Award; UC Berkeley Graduate Division Travel Grant
- 2010 Dean's Normative Time Fellowship, UC Berkeley
- 2007 Shapiro Fellowship, UC Berkeley
- 2006 Yang Fuqing & Wang Yangyuan Academician Fund of Peking University
- 2005 Excellent Graduate of Peking University
- 2004 Dawa Securities Scholarship of Peking University; Lingrui Scholarship of Peking University
- 2003 UFJ International Syndicate Scholarship of Peking University
- 2002 May 4th Scholarship of Peking University

**RESEARCH & PROFESSIONAL EXPERIENCE**

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|-----------|---|--------------------------------------|
| 2011      | Dissertation Research Fellow                    | Federal Reserve Bank of Chicago      |
| 2011      | Research Associate (Intern)                     | Morgan Stanley Capital International |
| 2008-2012 | Research Assistant for Prof. Nancy Wallace      | UC Berkeley                          |
| 2011      | Research Assistant for Prof. Terrance Odean     | UC Berkeley                          |
| 2009      | Research Assistant for Prof. Stefano DellaVigna | UC Berkeley                          |
| 2008      | Research Assistant for Prof. Ulrike Malmendier  | UC Berkeley                          |

**TEACHING**

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|------------|--|-----------------------|
| 2013       | Instructor for Introduction to Investments (undergraduate) | MSU Finance           |
| 2010       | Reader for Empirical Asset Pricing (Ph.D.)                 | UC Berkeley Haas      |
| 2008, 2009 | Teaching Assistant for Financial Economics (undergraduate) | UC Berkeley Economics |

## PROFESSIONAL ACTIVITIES

**Referee:** Journal of Finance, Journal of the European Economic Association, Journal of Marketing Research, Review of Financial Studies

## OTHER INFORMATION

**Affiliations:** American Economic Association; American Finance Association

**Languages:** English (Fluent); Chinese (Native)

**Citizenship:** China (U.S. Permanent Resident)