Baris Ince

Michael Smurfit Graduate Business School, University College Dublin

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EDUCATION

Ph.D. in Economics **2013-2019**
Koç University

Visiting Ph.D. Candidate **2018**
Said Business School, University of Oxford

M.A. in Economics and Business Administration **2012-2013**
Autonomous University of Barcelona

BS in Industrial Engineering **2007-2012**
Middle East Technical University

EMPLOYMENT

Research Scientist, Department of Banking&Finance **2022 –**
University College Dublin

Lecturer in Economics, Department of Economics **2021 – 2022**
University of Essex

Assistant Professor of Finance, Faculty of Business Administration **2019 – 2021**
Bilkent University

RESEARCH INTERESTS

Empirical Asset Pricing, Regulations, Behavioral Finance, M&A

PUBLICATIONS

Ince, Baris, (2022), "Liquidity Components: Commonality in Liquidity, Underreaction, and Equity Returns", in press at *Journal of Financial Markets*

WORKING PAPERS

---Ince, Baris., (2022), "How Do Regulatory Costs Affect M&A Decisions and Outcomes?", R&R at *Journal of Banking and Finance*

ABSTRACT: Regulations introduce significant fixed costs and add to operating leverage. "Regulatory operating leverage", a ratio that reflects the importance of fixed regulatory costs in a firm's cost structure, decreases a firm's value through implied cost of equity and profitability channels. Due to economies of scale, large firms are less exposed to the negative value implications of regulatory operating leverage. This motivates large firms with high regulatory operating leverage to acquire other firms in the same industry. Moreover, it increases the likelihood of a small firm being a target. Finally, regulatory operating leverage driven acquisitions are value increasing.

--- Ince, Baris., (2022), “Expected Market Returns and Underreaction to Liquidity: A Market Liquidity (Sentiment) Based Explanation”

ABSTRACT: While investors demand a premium to hold stocks with high illiquidity level and risk, they underreact to stock-level liquidity shocks and idiosyncratic liquidity. Built on Baker and Stein (2004) market liquidity model, this paper: (i) reports a significant relationship between market liquidity and investor sentiment, (ii) shows that market liquidity (illiquidity) negatively (positively) predicts subsequent market returns, (iii) provides market liquidity based explanation to the underreaction to liquidity shocks and idiosyncratic liquidity. Markets dominated by irrational sentiment-driven investors contribute significantly to the underreaction to liquidity shocks and idiosyncratic liquidity. As a result, a long-short liquidity shocks (idiosyncratic liquidity) strategy earns significantly high returns during abnormally liquid market states. On the other hand, the cross-sectional relationships between the liquidity measures and future stock returns weaken moving from abnormally liquid (positive sentiment) to illiquid (negative sentiment) market states.

--- Ince, Baris., (2022), “Revisions in Expected Unemployment Rate and the Cross-section of Stock Returns”

ABSTRACT: This paper introduces a measure of unemployment beta which quantifies stock sensitivity to the innovations in forecasted unemployment rate and provides evidence to the importance of revisions in expected unemployment in the cross-sectional pricing of individual stocks. Unemployment beta predicts stock returns in the cross-section, and stocks in the lowest unemployment beta decile generate 7% more annualized risk-adjusted return than stocks in the highest unemployment beta decile. The unemployment premium is driven by the outperformance (underperformance) by stocks with negative (positive) unemployment beta suggesting that investors demand (pay) a premium to hold stocks whose returns correlate negatively (positively) with revisions in expected unemployment. The premium is robust to alternative regression specifications which account for various risk factors, and macroeconomic and financial variables. Finally, (labor) operating leverage is an important factor in the cross-sectional pricing of unemployment beta.

---Ince, Baris, and Han N. Ozsoylev (2022), “Price of Regulations: Regulatory Costs and the Cross-section of Stock Returns”

ABSTRACT: Regulations introduce significant fixed costs and add to operating leverage. Fixed regulatory costs that contribute to operating leverage should generate a risk premium. To explore whether such a premium exists, we introduce a measure of ``regulatory operating leverage" that reflects the importance of fixed regulatory costs in a firm's cost structure. Regulatory operating leverage predicts stock returns in the cross-section, and a zero-cost high-low equal (value)-weighted regulatory operating leverage strategy generates 5.64% (5.28%) annualized risk-adjusted return. Finally, the impact of regulatory operating leverage on returns is due to the (systematic) risk contribution of fixed regulatory costs.

---Ince, Baris, and Han N. Ozsoylev (2022), “Demand for Idiosyncratic Lottery-like Payoffs and the Cross-section of Expected Returns”

ABSTRACT: Motivated by existing evidence of a preference among investors for stocks with high maximum daily returns, we document that lottery-like payoffs measured by maximum daily returns are almost entirely idiosyncratic. There is a significantly negative relation between idiosyncratic maximum daily returns (IMAX) and future stock returns. While beta anomaly, negative (positive) risk-adjusted returns generated by high (low) market beta stocks, disappears when portfolios are constructed to be neutral to IMAX, the significantly negative return spreads between the stocks with extreme idiosyncratic lottery-like payoffs are robust to various firm-specific controls and risk factors.

RESEARCH PRESENTATIONS (*presented by co-author)

2017: Koç University, Bilkent University, Boğaziçi University*

2019: Bilkent University, Sabancı University, Özyeğin University, Central Bank of Republic of Turkey

2021: Özyeğin University, Central Bank of Hungary & Corvinus University of Budapest

2022: Essex Business School, University of Sussex

GRANTS AND FELLOWSHIPS

Ph.D. Scholarship, Koç University

Project Grant, TÜBİTAK (Scientific and Technological Research Council)

TEACHING EXPERIENCE

University of Essex: Econometric Methods, Economics of Financial Markets and Intermediation

Bilkent University: Elements of Finance (Corporate Finance), Money and Banking

SUPERVISION

Bilkent University: Ph.D. dissertation titled "Underreaction to Balance Sheet Measures and the Cross-section of Stock Returns"

University of Essex: Four master's dissertations, fifteen undergraduate dissertations (projects)

LANGUAGES

Turkish (native), English (fluent), Spanish (intermediate)

COMPUTER SKILLS

MATLAB, Stata, Microsoft Office, C++

REFERENCES

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McDonough School of Business, Georgetown University
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