

Baris Ince

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EDUCATION

PhD in Economics 2013-2019

Koc University

Visiting PhD Candidate 2018

Saïd 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

Assistant Professor of Finance, Faculty of Business Administration 2019 –

Bilkent University

RESEARCH INTERESTS

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

WORKING PAPERS

“Is Personal Savings Rate Priced in the Cross-section of Stock Returns?” (2020)

This paper investigates the importance of personal savings rate in the cross-sectional pricing of individual stocks. I estimate each stock's monthly-varying sensitivity to the personal savings rate and show that stocks in the lowest savings rate beta quintile generate 6% more annualized risk-adjusted return compared to stocks in the highest savings beta quintile. I find that the savings premium is driven by the outperformance (underperformance) of stocks with negative (positive) savings rate beta. These results are robust to controls for various firm-specific

characteristics and risk factors. Moreover, the alpha spread between the highest and the lowest savings rate beta stocks increases during high economic uncertainty, low credit availability, and high income risk periods. Finally, the results are consistent with the risk correction predictions of the Consumption-CAPM literature.

How Do Regulatory Costs Affect M&A Decisions and Outcomes? (2020)

In this paper, I investigate the relation between fixed regulatory costs and M&A decisions. Regulations introduce significant fixed costs, and add to operating leverage. "Regulatory operating leverage", introduced by Ince and Ozsoylev (2020), quantifies the ratio of fixed regulatory costs over a firm's cost structure. I document that regulatory operating leverage increases implied cost of equity, and decreases operating margin, hence decreases a firm's value. Economies of scale decrease exposure to fixed regulatory costs, therefore large firms are less exposed to the negative value implications of regulatory operating leverage. This creates a motive for large firms with high regulatory operating leverage to acquire other firms in the same industry that are exposed to similar regulations. Since regulatory operating leverage is more constraining for smaller firms, it increases the likelihood of a small firm being target. Moreover, as the merger results in a decline in the acquirer's regulatory operating leverage, it is value increasing.

Price of Regulations: Regulatory Costs and the Cross-section of Stock Returns with Han Ozsoylev (2020)

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 strategies formed by sorting on regulatory operating leverage earn significant risk-adjusted returns. Moreover, we provide a risk-based explanation for this prediction: regulatory operating leverage contributes to systematic risk.

Is Idiosyncratic Liquidity Priced in the Cross-section of Stock Returns? (2020)

This paper decomposes firm-specific monthly-varying Amihud (2002) illiquidity measure into two components: (i) systematic illiquidity; (ii) idiosyncratic illiquidity. While there is a positive and significant relationship between systematic illiquidity and one-month-ahead stock returns, the observed relationship disappears when very small stocks are excluded. On the other hand, investors tend to underreact to idiosyncratic (il)liquidity. Hence, stocks with positive (negative) idiosyncratic liquidity tend to generate positive (negative) returns. More specifically, high-low idiosyncratic liquidity strategy generates around 10% one-month-ahead annualized risk-adjusted return. Finally, I show that investors underreact both to persistent idiosyncratic liquidity component and non-persistent idiosyncratic liquidity shocks.

Demand for Idiosyncratic Lottery-like Payoffs and the Cross-section of Expected Returns with Han Ozsoylev (2020)

Motivated by existing evidence of a preference among investors for stocks with high maximum daily returns, we document that daily extreme lottery-like payoffs measured by maximum daily returns are almost entirely idiosyncratic. Firm-level cross-sectional regressions and portfolio-sort analyses prove that there is a significant and negative relation between idiosyncratic maximum daily return (IMAX) and future stock returns. Retail investors tend to invest even further on high IMAX lottery-type stocks during high sentiment periods with loose funding liquidity constraints. Moreover, high market beta stocks are predominantly stocks that generate high idiosyncratic lottery-like payoffs. Hence, betting against beta phenomenon disappears when we control for IMAX.

RESEARCH PRESENTATIONS (*presented by co-author)

2016: Koç University

2017: Koç University, Bilkent University, Boğaziçi University*

2018: Durham University*, Koç University Finance Day

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

GRANTS AND FELLOWSHIPS

PhD Scholarship, Koç University

Project Grant, TÜBİTAK (Scientific and Technological Research Council)

TEACHING EXPERIENCE

Econometrics, Money and Banking, Public Finance, Corporate Finance

LANGUAGES

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

COMPUTER SKILLS

MATLAB, Stata, Microsoft Office, C++

REFERENCES

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