

## James O' Donovan, Assistant Professor of Finance

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<b>ACADEMIC APPOINTMENT</b>	Assistant Professor of Finance, College of Business, City University of Hong Kong	2019-
<b>EDUCATION</b>	INSEAD, PhD in Finance	2013-2019
	University College Dublin, Ireland, M.Sc. Quantitative Finance (1st in Class)	2011-2012
	University of Limerick, Ireland, B.Sc. Financial Mathematics	2007-2011
<b>RESEARCH INTERESTS</b>	Empirical asset pricing and empirical corporate finance.	
<b>PUBLISHED PAPERS</b>	<p>"The Value of Offshore Secrets - Evidence from the Panama Papers" with Hannes Wagner and Stefan Zeume at <i>The Review of Financial Studies</i> (Lead Article, Editors Choice, and Michael J. Brennan Best Paper Runner Up)</p> <p><i>Abstract:</i> We exploit one of the largest data leaks to date to study whether and how firms use secret offshore vehicles. From the leaked data, we identify 338 listed firms as users of secret offshore vehicles and document that these vehicles are used to finance corruption, avoid taxes, and expropriate shareholders. Overall, the leak erased \$174 billion in market capitalization among implicated firms. Following the increased transparency brought about by the leak, implicated firms experience lower sales from perceptively corrupt countries and avoid less tax. We estimate conservatively that one in seven firms have offshore secrets.</p>	
<b>WORKING PAPERS</b>	<p>"Understanding the asset growth anomaly" <i>Abstract:</i> Non-investment components of balance sheet asset growth which are related to earnings management contributed to the asset growth anomaly in the past. These components of balance sheet asset growth are no longer related to returns and this contributes to the disappearance of the asset growth anomaly since 2002. I provide evidence that the Sarbanes-Oxley Act reduced earnings management and improved the integrity of accounting information: earnings manipulation has decreased, earnings predictability has increased, and analyst forecast errors have decreased. Further, the cross-sectional relationship between the accrual accounts used to manage earnings and analyst optimism has reduced. The evidence suggests that the asset growth anomaly was driven by mispricing in the past, and that this mispricing has decreased.</p> <p>"International Asset Pricing with Strategic Business Groups" (with Massimo Massa and Hong Zhang) <i>Abstract:</i> Firms in global markets often belong to business groups. We argue that this feature can have a profound influence on international asset pricing. In bad times, business groups may strategically reallocate risk across affiliated firms to protect core "central firms." The ensuing hedging demand induces co-movement among central firms, creating a new intertemporal</p>	

risk factor. Based on a novel dataset of worldwide ownership for 2002-2012, we find that central firms are better protected in bad times and that they earn relatively lower-expected returns. Moreover, a centrality factor augments traditional models in explaining the cross-section of international stock returns.

"Merger Financing and the Information Content of Option Implied Moments"  
(with Cal Muckley and Conall O' Sullivan).

*Abstract:* There is pre-announcement cross-sectional information assimilation in changes in option implied model-free skewness in respect to announcement period equity returns. We show that changes in the option implied model-free skewness has significantly greater predictive capacity for principally cash financed target firms. A rationale for this pre-announcement option trading is (i) that the primarily cash financed target firms exhibit the largest discontinuous price impact at announcement and (ii) this finance mechanism, unlike in primarily equity financed deals, does not facilitate equity hedging of deal risk with an equity position in the counterpart deal firm. We formalize this intuition by simulating a simple model to show the information assimilation in changes in implied moments with respect to announcement returns. The results are robust to different run-up period windows and a wide set of cross-sectional stock return predictors. Pending merger deal announcements, we therefore show that, as reflected in changes in model-free option implied skewness, the options market plays an important role in price discovery.

**RESEARCH GRANTS** Principal Investigator: Derivative Gamma Exposure and Underlying Asset Variance  
**Early Career Scheme**, competitive grant of HKD\$341K, 2020 - 2022

Principal Investigator: Option Implied Informativeness: A Dynamic Perspective  
**CityU Start-up funding**, HKD\$200K, 2020 - 2022

**TEACHING EXPERIENCE** 2014-2016, INSEAD - Financial Markets & Valuation Tutorial Instructor  
(MBA Core Finance)  
2019-2020, City University of Hong Kong - Derivatives and Risk Management  
(M.Sc Finance & M.Sc Financial Engineering)

**PROGRAMMING LANGUAGES** Matlab, SAS, R, STATA and MySQL.

**FINANCIAL DATABASES** Compustat, CRSP, I/B/E/S, OptionMetrics, Datastream, Thomson One Banker.