Kevin Schneider

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Research Interests

How real options shape real and financial corporate policies and expected stock returns.

Appointments

Jul 2023 – now	*Research Associate in Theoretical Finance* – University of Cambridge, UK. Affiliated with Cambridge Endowment for Research in Finance (CERF).

Education

Oct 2019 – now	*PhD in Finance* – University of Manchester, UK. Visited BI Norwegian Business School for six months. Advisors: Kevin Aretz and Hening Liu. Examiners: Michael Brennan (UCLA) and Ilan Cooper (BI).
Oct 2018 – Sep 2019	*MSc in Quantitative Finance* – Lancaster University, UK. Graduated with 1st (Hons) as top of the year.
Oct 2014 – Oct 2018	*BSc in Mathematics* – Saarland University, Germany. Studied one year abroad at University of Birmingham, UK.

Working Papers

- *"Investment, Uncertainty, and U-Shaped Return Volatilities."*
  - I develop a real options model with time-varying economic uncertainty. Operating leverage and risky growth options make both value stocks and growth stocks volatile, generating U-shaped return volatilities. Growth stocks additionally load on the negative variance risk premium which lowers their expected return. Using structural estimation, the model *jointly* fits average returns and return volatilities, thereby solving a long-standing problem in investment-based asset pricing.

- "*Uncertainty and Corporate Zombification: Implications for Competition Dynamics and Creative Destruction.*" Joint with Kevin Aretz (University of Manchester), Murillo Campello (Cornell University and NBER), and Gaurav Kankanhalli (University of Pittsburgh).
  - We show how the threat of "uncertainty-induced zombification" — creditors' willingness to keep distressed firms alive when faced with uncertainty — shapes the decisions of healthy firms. Under a real options framework, we demonstrate that unlevered firms become reluctant to invest and disinvest in anticipation that uncertainty induces creditors to convert rival defaulting firms into zombies. We validate our theory using dynamic, product-market-specific estimates of uncertainty-induced zombification. Healthy U.S. firms reduce their investment, disinvestment,

employment, and establishment-level openings and closures in periods of higher uncertainty-led rival zombification, depressing their long-run performance. We confirm those dynamics using granular, near-universal data on the asset allocation decisions of global shipping firms. Our findings highlight a novel channel through which uncertainty influences firms' capital accumulation and performance.

- "*An Alternative Test of the Production-Based Asset Pricing Model.*" Joint with Richard Priestley (BI Oslo).
  - We study a general equilibrium model with external habit utility and capital adjustment costs in which household behavior (consumption surplus) and firm behavior (investment rates) equally predict stock returns and investment returns. Using this insight, we find strong empirical support for the production-based asset pricing model while avoiding the notoriously difficult calculation of investment returns.

- "*Corporate Real Decisions, Dynamic Operating Leverage, and Seasonalities Everywhere.*" Joint with Kevin Aretz and Hening Liu (both University of Manchester).
  - We develop a real options model of a firm exposed to seasonal variations in its output price and able to produce output, store it in inventory, and sell it later. Prepaying production costs generates dynamic operating leverage with seasonal patterns in expected stock returns. In line with our theory, abnormal inventory holdings also condition important return anomalies such as momentum and ROE.

Work-In-Progress

- "*Sped-Up Creative Destruction.*" Joint with Kevin Aretz (University of Manchester), Murillo Campello (Cornell University and NBER), and Gaurav Kankanhalli (University of Pittsburgh).
- "*Q-Theory and the Cross-Section of Asset Returns.*" Joint with Kevin Aretz (University of Manchester) and Shuwen Yang (University of Science and Technology Beijing).

Seminars and Conferences

Sep 2023	*Annual Conference of the Money, Macro and Finance Society*, Portsmouth.
Sep 2023	*Annual Corporate Finance Conference*, Exeter.
Aug 2023	*Workshop on Investment and Production-Based Asset Pricing*, Oslo.
Aug 2023	*European Finance Association (EFA) Annual Meeting, Poster*, Amsterdam.
Jun 2023	*Financial Intermediation Research Society (FIRS) Conference*,* Vancouver.
Jun 2023	*Annual Meeting of European FMA*, Cardiff. Ph.D. Best Paper Award.
Jun 2023	*Conference of the Financial Engineering and Banking Society*, Crete.
Mar 2023	*Finance Seminar*,* Cardiff Business School.
Nov 2022	*Internal Seminar*, BI Norwegian Business School.
May 2022	*Conference of the French Finance Association*, Saint-Malo.
Apr 2022	*Annual Meeting of the Eastern Finance Association*, Washington D.C.

A * denotes a presentation by a co-author of a joint paper.

Summer Schools

May 2023	*Dynare Summer School.*
	Hosted by École Normale Supérieure (Paris).
Aug 2022	*Anomalies and Factor Models.*
	Organized by Kewei Hou and Yan Liu.
	Hosted by Volatility Institute, NYU Shanghai.
Aug 2021	*Structural Estimation in Corporate Finance.*
	Organized by Toni M. Whited and Luke Taylor.
	Hosted by University of Michigan Ross School of Business.
Jul 2021	*Econometrics of Derivatives Markets.*
	Organized by Torben G. Andersen and Viktor Todorov.
	Hosted by Kellogg School of Management, Northwestern University.

Services

Discussions	*Workshop on Investment and Production-Based Asset Pricing*, Oslo.
Referee	*European Journal of Finance.*
Seminar	Initiated and organized a PhD seminar series with internal and external speakers.

Teaching

Fall 2021	TA for *Financial Derivatives*, UG class with 240 students. Evaluation: 5.00/5.00.
Fall 2021	TA for *Derivatives Securities*, PG class with 120 students. Evaluation: 4.90/5.00.
Fall 2020	TA for *Derivatives Securities*, PG class with 190 students. Evaluation: 4.77/5.00.

Scholarships and Prizes

Dec 2019	Entry on *Dean's List* by Lancaster University Management School.
Sep 2019	*President's Doctoral Scholar Award* by the University of Manchester.
Sep 2019	*Alliance MBS Doctoral Studentship* by the University of Manchester.
Oct 2018	*Peel Studentship Trust Award* by Lancaster University.
Oct 2018	*University Scholarship Award* by Lancaster University.
Aug 2016	*University Scholarship Award* by Saarland University.
Sep 2015	*Federal Scholarship Award* by Saarland University.
Sep 2014	*Statewide Scholarship Award* by Saarland University.

Programming

Matlab, Stata, Dynare, Python, R, VBA.

References

- Professor Kevin Aretz
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  Email: kevin.aretz@manchester.ac.uk
- Professor Murillo Campello
  Cornell University, US
  Email: campello@cornell.edu

- Professor Hening Liu
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  Email: hening.liu@manchester.ac.uk