

FIN RESEARCH SEMINAR

Option Trading and Index Returns: Evidence from China

Dr. Zhou Xin

Date: 29th November 2023

Time: 1:00pm-2:30pm (China Standard)

Location: BS550

Tencent ID: 912-565-908

Link: <https://meeting.tencent.com/dm/5uHM9WaxxZr1>

BIOGRAPHY OF PRESENTER

Zhou Xin is the Executive Director of Volatility Institute at New York University at Shanghai. Dr. Zhou received his Ph.D. in Finance and MA in Electrical Engineering from the University of Texas at Dallas, MA and BS in Physics from the University of Science and Technology of China.

His research interests include empirical asset pricing, market anomalies, risk modeling and management, and private equity investment. His research has been published in leading academic journals including Journal of Business Finance & Accounting, SSRN Electronic Journal, international Review of Financial Analysis etc.

ABSTRACT:

Utilizing a unique dataset of SSE 50ETF options trading volume from Feb 2015 to Jan 2020, this study shows that weekly net put buying by financial institutions negatively and significantly predicts the following week's index returns. The effect persists longer during periods of low investor attention and intensifies during market stress, the emergence of unfavorable news, the influx of abundant information, and restricted access to analyst research services. These findings support the theory of informed trading, however, the predictability could partially result from the professional competence of institutional investors rather than solely relying on private information.