

# MICHAEL FARRELL

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## EDUCATION

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Postdoc, Finance, University of Virginia (Darden)	2019-2021
Ph.D., Finance, University of Kentucky	2019
M.Sc., Finance, Concordia University	2014
B.A., Economics, McGill University	2009

## RESEARCH INTERESTS

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Investments, Asset Management, FinTech, Data Science

## JOB MARKET PAPER

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**The Cross-Section of Non-Professional Analyst Skill**, with Russell Jame and Tian Qiu

*To be presented at the American Finance Association Annual Meeting (2021)*

We examine the cross-section of skill among non-professional analysts (NPAs) on Seeking Alpha, a prominent crowdsourced investment research platform. We estimate that 60% of NPAs are skilled, and we document substantial dispersion in skill. Even after accounting for bid-ask spreads and allowing for a three-day investment delay, following NPAs in the top quintile of past skill earns annualized abnormal returns of 10%. In contrast, an unconditional strategy that follows all NPAs earns insignificant returns. An examination of retail and institutional order imbalances following NPA recommendations suggests that neither group recognizes the sizeable differences in ability across NPAs.

## WORKING PAPERS

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**The Democratization of Investment Research and the Informativeness of Retail Investor Trading**, with T. Clifton Green, Russell Jame, and Stanimir Markov

*Revise & Resubmit (Journal of Financial Economics)*

We study the effects of social media on the informativeness of retail investor trading. Our identification strategy exploits the editorial delay between report submission and publication on Seeking Alpha, a popular crowdsourced investment research platform. We find the ability of retail order imbalances to predict stock returns and cash-flow news increases sharply in the intraday post-publication window relative to the pre-publication window. The findings are robust to controlling for report tone and stronger for reports authored by more capable contributors. The evidence suggests that technology-enabled innovations in how individuals share information can play a positive role in retail-investor decision making.

*Presented at the 2019 SFS Cavalcade\*, the 2019 Western Finance Association Meeting\*, the 2019 Midwest Finance Association Annual Meeting, the 2019 Financial Management Association Annual Meeting, the 2019 UConn Finance Conference\*, the 2019*

*Northern Finance Association\**, *the 2019 FARS Midyear Meeting\**, *the 2019 Smokey Mountain Finance Conference\**, *the 2019 Hawaii Accounting Research Conference\**, *the Second Conference on Intelligent Information Retrieval in Accounting and Finance\**, *Auburn University\**, *Boston College\**, *Middle Tennessee State University\**, *Tulane University\**, and *the University of Kentucky*. (\* presented by co-author.)

**The Price Impact of Share Repurchases: Evidence from Dual Class Shares**, with Leonce Bargerion

*Reject & Resubmit (Management Science)*

We use a sample of dual class firms to isolate the magnitude and duration of the demand driven price effect from stock repurchases. In this novel setting, the non-repurchased class serves as a near perfect counterfactual to the repurchased class and controls for private information about firm value contained in the repurchases. The average repurchase in our sample, 0.30% of outstanding shares within a month, increases the stock price by 43 to 68 bps relative to the non-repurchased class of stock. This demand driven price effect dissipates completely over the subsequent month unless extended by continued repurchases.

*Presented at the University of Kentucky.*

**Read Between the Filings: Daily Mutual Fund Holdings and Liquidity Provision**

Many questions about mutual fund trading require daily holdings, yet mutual funds are only required to report quarterly holdings. I model intraquarter trading and use a genetic algorithm to estimate the trade pattern that is most consistent with the fund's daily reported returns. I validate the model empirically on a sample of institutional trades from Ancerno and I confirm that the method more accurately predicts daily holdings when compared to existing naïve assumptions. Further, my method is substantially more accurate in classifying a fund's tendency to supply liquidity, and this increased precision has important implications for identifying superior performing funds. Specifically, a long-short strategy based on the model's liquidity provision measures earns significant abnormal returns, while a similar strategy that relies on quarterly holdings does not exhibit any outperformance.

*Presented at the Financial Management Association Annual Meeting 2019 (New Orleans), Eastern Finance Association 2019 Annual Meeting 2019 (Miami), Southern Finance Association Annual Meeting 2019 (Orlando), FMA Doctoral Consortium 2018 (San Diego), University of Kentucky, and University of Virginia.*

## WORKS IN PROGRESS

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**ETF Holdings and the Mispricing of Treasuries**, with Marc Lipson and Davide Tomio  
**ESG Flavors and Investor Preferences**, with Richard Evans

## PROFESSIONAL ACTIVITIES

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Discussant: SFA (2019), MFA (2019), FMA (2015,2016)

Referee: Pacific-Basin Finance Journal (2019), Managerial Finance (2018, 2019)

FMA Doctoral Consortium Participant (2018)

## TEACHING EXPERIENCE

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### *University of Kentucky*

Corporate Finance (Student Evaluation: <i>4.85/5</i> )	2017
· Produced video summaries for each lecture (available online)	
Investment Analysis (Student Evaluation: <i>4.54/5</i> )	2016
Technology for Business Solutions ( <i>Assistant</i> )	2015-2017
Python Workshop for Graduate Students	2019

## TECHNICAL

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Data wrangling and analysis (Python, R, SAS, SQL, Stata)  
Web crawling/scraping (Python)  
Document rendering (CSS, HTML, Javascript, L<sup>A</sup>T<sub>E</sub>X, Reveal.js, SVG)  
High Performance Computing (Linux)

## LANGUAGES

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English (Native), French (Fluent), Spanish (Conversational)

## REFERENCES

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### **Leonce Barger**

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Business and Economics  
University of Kentucky  
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### **Russell Jame**

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