M. Erkan Savran

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Education

Ph.D. in Quantitative Methods in Finance, Koç University - Istanbul/TURKEY	*2015–2022*
Master of Business Administration, Duke University - NC/USA	*1995–1997*
M.S. in Electrical-Electronics Engineering, Bilkent University – Ankara/TURKEY	*1989–1991*
B.S. in Electrical-Electronics Eng., Middle East Technical Univ. – Ankara/TURKEY	*1985–1989*

Research Fields

Primary	Asset Pricing, Empirical Finance
Secondary	Portfolio Management, Market Microstructure

Job Market Paper

"Ambiguity aversion and cross-sectional anomalies." January 2023.

Based on a theoretical model that relies on the theory of smooth ambiguity aversion, this paper empirically investigates whether ambiguity and aversion towards it has explanatory power for resolving the major cross sectional stock anomalies. Ambiguity exposure was established as a separate explanatory factor for cross-sectional stock returns. When the factor for ambiguity exposure is used as a second regressor in addition to excess market return, the expectation is that the constant term in the bivariate regression should reflect a reduction/dying out with respect to the CAPM alpha of the value-weighted excess returns of the anomaly's high-minus-low quintile portfolio. The empirical results show that ambiguity and ambiguity aversion fully explain the beta anomaly, while causing a notable reduction in abnormal excess returns observed in momentum and operating profitability anomalies. Reduction in abnormal excess returns of the investment anomaly has been limited, while the results have not produced a favorable outcome in size and book-to-market anomalies. The paper also investigates existence of the anomalies across the uncertainty and stock size spectrums. The findings constitute a novel contribution to the literature and bring fresh insight into the nature of anomalies. The literature investigating whether ambiguity is priced in stock returns typically studies the research question at the aggregate market level. The paper establishes ambiguity as a separate explanatory power for cross sectional stock returns, and is original in its approach to demystify stock anomalies.

Working Papers

"Pricing Ambiguity in the Cross-Section." With Sujoy Mukerji, Han Özsöylev and Jean-Marc Tallon. March 2023.

Based on a theoretical model that relies on the theory of smooth ambiguity aversion, this paper empirically investigates whether ambiguity and aversion towards it is priced in the cross-section of stocks and tests whether the model has explanatory power for resolving some of the cross sectional stock anomalies. The literature investigating whether ambiguity is priced in stock returns typically studies the research question at the aggregate market level. The main finding in the paper is that ambiguity is priced in the cross section of stocks. Abnormal excess returns of stocks (i.e. CAPM alphas) in the cross section are shown to increase with stocks' ambiguity exposure which is defined as the difference between the ambiguity beta of a stock and its CAPM beta, where ambiguity beta is the stock's exposure to systematic ambiguity. In order to estimate stocks' ambiguity betas, macroeconomic uncertainty index of Jurado et al. is employed as a proxy for systematic ambiguity. The paper shows when stocks are ranked into quintile portfolios according to their ambiguity exposure and ambiguity exposure is controlled for in the CAPM regression as a separate factor, alpha of the high-minus-low quintile as well as the alphas of the individual quintiles disappear. The paper also shows that ambiguity and ambiguity aversion bring partial explanations to major stock anomalies.

Professional Experience

Ak Investment (brokerage and inv.banking arm of Akbank), Head of Research	*2001–2013*
Global Securities, Senior Equity Analyst	*2000-2001*
Demir Yatırım (brokerage and inv.banking arm of Demirbank), Asst.Manager	*1998-2000*
Körfez Yatırım (brokerage and inv.banking arm of Korfezbank), Associate	*1997-1998*
Aydin Corporation-Ayesaş, Software Engineer-Team Leader, RIS project	*1991-1994*

Fellowships, Awards, Honors and Publications

Koç University Graduate Fellowship for PhD studies	*2015–2021*
Turkish Education Foundation (TEV) Full Scholarship (Duke University, MBA)	*1995–1997*
Innovative publication award by the Scientific and Technical Research Council of Turkey	*1994*
A journal publication in IEEE Transactions on Neural Networks (joint with Ö.Morgül)	*May 1994*
Teaching and Research Assistantship at Bilkent University-Electrical&Electronic Eng.	*1989-1991*
The Scientific and Technological Research Council of Turkey (TÜBİTAK) Scholarship	*1985-1989*
One of 11 students selected by TÜBİTAK for Intn'l Math Olympiade Team of Turkey	*1984–1985*

Languages and Skills

Language	Turkish (Native), English (Fluent)
Software	Stata, Matlab