https://doi.org/10.1017/S0022109024000668 Published online by Cambridge University Press

# JFQA

# JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

Measuring Firm Complexity
Tim Loughran and Bill McDonald

The Smart Beta Mirage
Shiyang Huang, Yang Song, and Hong Xiang

Resolving a Paradox: Retail Trades Positively Predict Returns but Are Not Profitable
Brad M. Barber, Shengle Lin, and Terrance Odean

Uncovering Financial Constraints
Matthew Linn and Daniel Weagley

Stress Testing Banks' Digital Capabilities: Evidence from the COVID-19 Pandemic
Alan Kwan, Chen Lin, Vesa Pursiainen, and Mingzhu Tai

Friends During Hard Times: Evidence from the Great Depression
Tania Babina, Diego García, and Geoffrey Tate

The Downstream Impact of Upstream Tariffs: Evidence from Investment Decisions in Supply Chains
Thorsten Martin and Clemens A. Otto

Networking Frictions in Venture Capital, and the Gender Gap in Entrepreneurship
Sabrina T. Howell and Ramana Nanda

Hiring High-Skilled Labor Through Mergers and Acquisitions
Jun Chen, Shenje Hshieh, and Feng Zhang

Earnings Autocorrelation and the Post-Earnings-Announcement Drift: Experimental Evidence
Josef Fink, Stefan Palan, and Erik Theissen

Currency Redenomination Risk
Lukas Kremens

Friendly Investing and Information Sharing in the Asset Management Industry
Benjamin Golez, Antonino Emanuele Rizzo, and Rafael Zambrana

In the CEO We Trust: Negative Effects of Trust Between the Board and the CEO
Kee-Hong Bae, Sadok El Ghoul, Zhaoran (Jason) Gong, and Omrane Guedhami

Big Banks, Household Credit Access, and Intergenerational Economic Mobility
Erik J. Mayer

Bank Influence at a Discount
Hans Gersbach and Stylianos Papageorgiou

Editors

**Hendrik Bessembinder**
**Ran Duchin**
**Thierry Foucault**
**Jarrad Harford**
**Kai Li**
**George Pennacchi**
**Stephan Siegel**

Published by Cambridge University Press for the University of Washington Michael G. Foster School of Business in cooperation with the Arizona State University W. P. Carey School of Business, Boston College Carroll School of Management, HEC Paris, the University of British Columbia Sauder School of Business, and the University of Illinois at Urbana-Champaign Gies College of Business

VOL. 59, NO. 6 | September 2024

CAMBRIDGE UNIVERSITY PRESS

JFQA

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

A PUBLICATION OF THE UNIVERSITY OF WASHINGTON MICHAEL G. FOSTER SCHOOL OF BUSINESS IN COOPERATION WITH THE ARIZONA STATE UNIVERSITY W. P. CAREY SCHOOL OF BUSINESS, BOSTON COLLEGE CARROLL SCHOOL OF MANAGEMENT, HEC PARIS, THE UNIVERSITY OF BRITISH COLUMBIA SAUDER SCHOOL OF BUSINESS, AND THE UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN GIES COLLEGE OF BUSINESS

VOL. 59, NO. 6, SEPTEMBER 2024

Measuring Firm Complexity ..... 2487
Tim Loughran and Bill McDonald

The Smart Beta Mirage ..... 2515
Shiyang Huang, Yang Song, and Hong Xiang

Resolving a Paradox: Retail Trades Positively Predict Returns but Are Not Profitable ..... 2547
Brad M. Barber, Shengle Lin, and Terrance Odean

Uncovering Financial Constraints ..... 2582
Matthew Linn and Daniel Weagley

Stress Testing Banks' Digital Capabilities: Evidence from the COVID-19 Pandemic ..... 2618
Alan Kwan, Chen Lin, Vesa Pursiainen, and Mingzhu Tai

Friends During Hard Times: Evidence from the Great Depression ..... 2647
Tania Babina, Diego García, and Geoffrey Tate

The Downstream Impact of Upstream Tariffs: Evidence from Investment Decisions in Supply Chains ..... 2695
Thorsten Martin and Clemens A. Otto

Networking Frictions in Venture Capital, and the Gender Gap in Entrepreneurship ..... 2733
Sabrina T. Howell and Ramana Nanda

Hiring High-Skilled Labor Through Mergers and Acquisitions ..... 2762
Jun Chen, Shenje Hshieh, and Feng Zhang

Earnings Autocorrelation and the Post-Earnings-Announcement Drift: Experimental Evidence ..... 2799
Josef Fink, Stefan Palan, and Erik Theissen

Currency Redenomination Risk ..... 2838
Lukas Kremens

Friendly Investing and Information Sharing in the Asset Management Industry ..... 2869
Benjamin Golez, Antonino Emanuele Rizzo, and Rafael Zambrana

In the CEO We Trust: Negative Effects of Trust Between the Board and the CEO ..... 2899
Kee-Hong Bae, Sadok El Ghoul, Zhaoran (Jason) Gong, and Omrane Guedhami

Big Banks, Household Credit Access, and Intergenerational Economic Mobility ..... 2933
Erik J. Mayer

Bank Influence at a Discount ..... 2970
Hans Gersbach and Stylianos Papageorgiou

https://doi.org/10.1017/S0022109024000668 Published online by Cambridge University Press

## MANAGING EDITORS

Hendrik Bessembinder
Arizona State University

Ran Duchin
Boston College

Jarrad Harford
University of Washington

Thierry Foucault
HEC Paris

Kai Li
University of British Columbia

George Pennacchi
University of Illinois at Urbana-Champaign

Stephan Siegel
University of Washington

## ADVISORY EDITORS

Stephen Brown
New York University

Mara Faccio
Purdue University

Mark Grinblatt
University of California at Los Angeles

## ASSOCIATE EDITORS

George Aragon
Arizona State University

Warren Bailey
Cornell University

Turan Bali
Georgetown University

Alice Bonaimé
University of Arizona

Murillo Campello
University of Florida

Riccardo Colacito
University of North Carolina at Chapel Hill

Jeffrey Coles
University of Utah

Zhi Da
University of Notre Dame

Olivier Dessaint
INSEAD

Vivian Fang
University of Minnesota

Zhenyu Gao
Chinese University of Hong Kong

Todd Gormley
Washington University in St. Louis

Allaudeen Hameed
National University of Singapore

Jie He
University of Georgia

Po-Hsuan Hsu
National Tsing Hua University

Jiekun Huang
University of Illinois at Urbana-Champaign

Travis Johnson
University of Texas at Austin

Pab Jokitasthira
Southern Methodist University

Marcin Kacperczyk
Imperial College London

Jonathan Karpoff
University of Washington

Francis Longstaff
University of California at Los Angeles

Nadya Malenko
Boston College

Ronald Masulis
University of New South Wales

John McConnell
Purdue University

Robert McDonald
Northwestern University

R. David McLean
Georgetown University

Darius Palia
Rutgers University

Neil Pearson
University of Illinois at Urbana-Champaign

Jeffrey Pontiff
Boston College

David Reeb
National University of Singapore

Matthew Ringgenberg
University of Utah

Bryan Routledge
Carnegie Mellon University

Zacharias Sautner
University of Zürich

Paul Schultz
University of Notre Dame

Mikhail Simutin
University of Toronto

Denis Sosyura
Arizona State University

Chester Spatt
Carnegie Mellon University

Kumar Venkataraman
Southern Methodist University

Yuhai Xuan
University of California at Irvine

David Yermack
New York University

Scott Yonker
Cornell University

Lu Zhang
Ohio State University

Xiaoyan Zhang
Tsinghua University

Guofu Zhou
Washington University in St. Louis

PRODUCTION EDITOR
Wendy Katz
University of Washington

BUSINESS MANAGER
Susan Huot
University of Washington



The Journal of Financial and Quantitative Analysis (ISSN 0022-1090), Michael G. Foster School of Business, University of Washington, 109 Founders Hall, UW Box 353200, Seattle, WA 98195-3200, is published 8 times a year in February, March, May, June, August, September, November, and December by Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006/Cambridge University Press, University Printing House, Shaftesbury Road, Cambridge CB2 8BS, UK for the University of Washington Michael G. Foster School of Business in cooperation with the Arizona State University W. P. Carey School of Business, Boston College Carroll School of Management, HEC Paris, the University of British Columbia Sauder School of Business, and the University of Illinois at Urbana-Champaign Gies College of Business. Periodicals Postage Paid at New York, NY and additional mailing offices. POSTMASTER: Send address changes to Journal of Financial and Quantitative Analysis, Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006, USA.

Printed by Sheridan, a CJK Group Company



Copyright 2024, Michael G. Foster School of Business, University of Washington



https://doi.org/10.1017/S0022109024000668 Published online by Cambridge University Press

https://doi.org/10.1017/S0022109024000668 Published online by Cambridge University Press

JFQA

JOURNAL OF FINANCIAL AND QUANTITATIVE ANALYSIS

PHONE: (206) 543-4598
FAX: (206) 616-1894
E-MAIL: jfqa@uw.edu
URL: jfqa.org

University of Washington
Michael G. Foster School of Business
109 Founders Hall UW Box 353200
Seattle, WA 98195-3200 USA

VOL. 59, NO. 6, SEPTEMBER 2024

## PURPOSE AND FOCUS

The Journal of Financial and Quantitative Analysis (JFQA) publishes theoretical and empirical research in financial economics. Topics include corporate finance, investments, capital and security markets, and quantitative methods of particular relevance to financial researchers. Opinions expressed in the JFQA are those of the authors and do not necessarily reflect those of the University of Washington Michael G. Foster School of Business. For submissions queries, please write, call, fax, or e-mail the JFQA office. For all other information related to the journal, please contact Cambridge Journals Customer Services: Cambridge University Press, One Liberty Plaza, 20th Floor, New York, NY 10006, USA.

## SUBMISSIONS

www.editorialmanager.com/jfqa

It is JFQA policy to give prompt attention to all submitted manuscripts. Consistent with this policy, honoraria are paid to referees who provide timely reviews. Submit manuscripts online (www.editorialmanager.com/jfqa). Payment is required at the time of submission. Please consult the journal website for current submission details. Manuscripts are considered for publication on the understanding that they have not been previously published in whole or in part, and are not being simultaneously considered for publication elsewhere.

## SUBSCRIPTIONS

cambridge.org/jfqa

For individuals or institutions interested in a single journal subscription in 2023, please contact Cambridge Journals Customer Services. In the U.S., Canada, or Mexico, subscription fees are payable in U.S. dollars: journals_subscriptions@cambridge.org. Elsewhere in the world, subscription fees are payable in U.K. pounds sterling: journals@cambridge.org

2024 Annual Subscription Fees
Volume 59: February, March, May, June, August, September, November, and December

| Category | Access Type | Price |
|---|---|---|
| Institutions | Print & Electronic | £588/$1037 |
| Institutions | Electronic Only | £407/$679 |
| Institutions | Print Only | £607/$1128 |
| Individuals | Print & Electronic | £104/$186 |
| Individuals | Electronic Only | £64/$113 |
| Individuals | Print Only | £89/$168 |
| Students | Print Only | £30/$40 |

## RIGHTS AND PERMISSIONS

All rights reserved. No part of this publication may be reproduced, in any form or by any means, electronic, photocopying, or otherwise, without permission in writing from Cambridge University Press. General enquiries from the USA, Mexico, and Canada should be addressed to the New York office of Cambridge University Press cambridge.org/us/information/rights/contacts/newyork.htm; general enquiries from elsewhere should be addressed to the Cambridge office cambridge.org/uk/information/rights/contacts/cambridge.htm; permission enquiries from Australia and New Zealand should be addressed to the Melbourne office cambridge.org/uk/information/rights/contacts/australia.htm; enquiries regarding Spanish language translation rights (only) should be addressed to the Madrid office cambridge.org/uk/information/rights/contacts/madrid.htm. Photocopying information (for users in the USA): Copying for internal or personal use beyond that permitted by Sec. 107 or 108 of the U.S. Copyright Law is authorized for users duly registered with the Copyright Clearance Center (CCC), provided that the appropriate remittance is paid directly to: CCC, 222 Rosewood Drive, Danvers, MA 01923, USA. Specific written permission must be obtained for all other copying; contact the nearest Cambridge University Press office.