

Marco Sammon Research Agenda

My research agenda centers on how information is incorporated into stock prices. My job market paper documents that stock price informativeness has decreased over the last thirty years. Using two natural experiments, I show that passive ownership is an important cause of this decline. I also find empirical evidence that passive investors gather less information about stock-specific risks, suggesting a mechanism for the causal results. In a companion paper, I develop a model where this information-gathering mechanism arises endogenously. The introduction of an Exchange Traded Fund (ETF) in the model leads fewer investors to become informed, and the remaining informed investors to learn more about systematic risk and less about stock-specific risks.

In a paper with Scott Baker and Brian Baugh, we use new data to measure the overlap in firms' customer bases. In an efficient market, this economic link would be reflected in the correlation between these firms' stock prices. We find, however, that shocks to one firm's stock returns predict future returns for firms with overlapping customer bases, suggesting that this economic link is not priced.

In a paper with Scott Baker, Nick Bloom, and Steve Davis, we create a novel dataset classifying the proximate causes of large moves in the stock market. We find that events attributed to monetary policy tend to dampen volatility, especially relative to moves of the same size attributed to macroeconomic news. We also construct a measure of clarity based on journalists' confidence and agreement among newspapers as to the causes of these stock moves. Clarity has increased over time and has predictive power for stock market volatility after large moves. A follow-on paper examines the stock market's response to the COVID-19 pandemic. We find that clarity was initially high but decreased throughout the crisis until the federal government stepped in to stabilize the economy. We argue that policy responses to the pandemic provide the most compelling explanation for the stock market's unprecedented volatility between February and March 2020.

In a paper with Marcello Bianconi and Federico Esposito, we quantify the risk premium associated with trade policy uncertainty. Our identification strategy exploits quasi-experimental variation in exposure to trade policy uncertainty arising from congressional votes to revoke China's preferential tariff treatment in the 1990s. We show that exposure to trade policy uncertainty only affects a stock's perceived riskiness if the company's industry has low shipping costs (i.e. is more exposed to globalization) or relies on inputs from China.