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Research Interests

Real Options, Option Valuation, Tax Options, Financial Intermediation and Systemic Risk, Corporate Governance, Portfolio Management

Publications

- McKeever, D., & Rydqvist, K. (2022). **Tax-Loss Harvesting under Uncertainty**. *Journal of Banking and Finance*, 140. <https://doi.org/10.1016/j.jbankfin.2022.106528>.

We provide market-based evidence that a capital loss that is realized in the beginning of the year is less valuable than a loss that is taken at the end of the year. A simple binomial tree model that captures the resolution of tax rate uncertainty closely mimics observed market prices. Tax rate uncertainty arises from not knowing until the end of the calendar year whether the investor will have realized sufficient capital gains to fully benefit from losses harvested early in the year. We conclude that tax rate uncertainty influences investor behavior.

- Eckardt, R., Lutz, J., MacKay, D., & McKeever, D. (2022). **Stumpage Price Distributions and Correlations and Their Impact On Timberland Investment Modeling: An Analysis Using Maine Stumpage Prices (1961–2017)**. *Journal of Forestry*, 120(3), pp. 241–255. <https://doi.org/10.1093/jofore/fvab068>.

This paper analyzes more than 55 years of Maine stumpage prices and finds that the normal distribution does not best characterize many of the primary species and products located in the state. Nontrivial correlations are also identified among many of the species and product stumpage prices. The implications of these findings are discussed for the value of species and age diversification and the use of financial simulations to assess projected return distributions from timberland investments. Specifically, we look at two hypothetical timberland investment scenarios with varying amounts of species and age diversification and demonstrate the differences in the projected return distributions timber analysts would obtain with simple (normal distribution and independence) versus data-based (best-fit distributions and correlations) assumptions.

- McKeever, D. (2023). **Microprudential Bank Capital Regulation in a Complex System**, *Heliyon*, 9(3).
<https://doi.org/10.1016/j.heliyon.2023.e14118>.

This paper analyzes the efficacy of microprudential (bank-level) capital requirements in mitigating failure cascades in a network of interconnected banks. In simulation exercises, microprudential capital requirements redistribute the troubled assets of undercapitalized banks more broadly within the network, reducing the immediate likelihood of individual bank failures but increasing the likelihood of large failure cascades. This effect is strongest for simulation parameters that mimic economic downturns. If banks increase leverage in response to weaker capital requirements, failure cascades increase only minimally. These results suggest that current microprudential capital requirements might be counterproductive to the goal of mitigating bank failure cascades.

Working Papers

- **Coherent Option Pricing**, with Charles Cao (Chinese University of Hong Kong) and Tim Simin (Penn State University)

The demand-based option pricing framework of Garleanu et al. (2009) assumes the existence of "end-users" of traded options who have an exogenous non-zero demand for option contracts, but is agnostic with respect to the nature of this demand. In this paper, we shed light on the demand for options by extending the binomial option pricing model to include risk-averse end-users with exogenous exposure to the underlying asset and imperfect delta-hedging by market makers. Our calibrated model results closely mimic the most prominent empirical anomaly from the standard no-arbitrage option valuation framework, namely, the persistence of a non-uniform implied volatility surface in index options.

- **Lucky or Good? An Empirical Analysis of Resource-Picking in Strategic Factor Markets**, with Rory Eckardt (Binghamton University), Tom Moliterno (Vrije Universiteit Amsterdam), and Jay Barney (University of Utah)

Under review at Management Science

This paper provides an empirical examination of expectations versus luck in strategic factor market (SFM) resource-picking. Leveraging a unique multilevel longitudinal dataset from the Major League Baseball annual player draft and a technique from the finance/economics literature used

to measure superior skills and luck in mutual fund manager performance, our study demonstrates that superior expectations are a competitive market imperfection in the SFM for access to player resources. We also begin to explore the origins of this market imperfection and find evidence to suggest these expectations do not reside in, and are not fully mobile with, specific managers involved with resource picking. This implies there may be an element of co-specialization between firms' idiosyncratic routines/capabilities and the managers involved with resource-picking in SFMs. In a post hoc analysis we also find an empirical link between superior expectations and organizational performance. This study provides an important empirical test of core propositions in resource-based theory's consideration of SFMs.

- **Pricing Gamma Risk in the Cross-Section of Index Option Bid-Ask Spreads**

Traded index options provide a natural laboratory for disentangling the role of inventory risk management from other sources of risk (such as asymmetric information, illiquidity risk, etc.) in determining bid-ask spreads. Using a sample of S&P 500 index options from 2011 to 2024, we adapt the binomial tree model framework to estimate market makers' aversion to gamma risk specifically from observed variation in the cross-section of bid-ask spreads.

- **Matchmaking in the Labor Market for Governance**

We use a novel empirical approach to estimate parameters for a set of firm and director characteristics that are likely to determine the matching process in the labor market for directors' services. Recent papers in this area have used conventional empirical techniques that have explicit weaknesses. We use an implementation of a tool from the network sociology literature called a "stochastic actor-oriented model" that more credibly fits the setting, and use it to estimate parameters for a panel of S&P 1500 firms over the period from 1996 to 2019. We find that, on average, firms prefer younger directors, female directors, and directors with executive and/or board committee-level service, while they forgo adding busy directors. Directors prefer smaller, better-governed, more independent boards of firms that have strong operating performance, have more growth opportunities and pay directors well.

Presentations

- “Microprudential Bank Capital Regulation in a Complex System”: Binghamton University, Fall 2019; Northeast Regional Conference on Complex Systems, Spring 2020
- “Demography of the Stock Market”, Binghamton University, Fall 2019
- “Tax-Loss Harvesting Under Uncertainty”, Binghamton University, Spring 2021; Syracuse University, Spring 2021; Annual International Real Options Conference, Fall 2021 (presenter and discussant)
- “Lucky or Good? An Empirical Analysis of Resource-picking in Strategic Factor Markets”, Strategic Management Society (SMS) 43rd Annual Conference, Fall 2023^{*}; Binghamton University, Spring 2024
- “Coherent Option Pricing”, Binghamton University, Fall 2024; Academy of Business Research, Spring 2025; 14th International Conference of the Financial Engineering and Banking Society, Summer 2025; Financial Management Association Annual Meeting, Fall 2025 (forthcoming)

^{*}Co-author presentation

Academic and Professional Experience

Assistant Professor (Finance), Binghamton University School of Management, 2018-Present

- Instructor, Derivatives Markets (FIN 450-550), Spring 2019, Spring 2020, Spring 2021, Spring 2022, Spring 2023, Spring 2024
- Instructor, Investments (FIN 322), Fall 2018, Fall 2019, Fall 2020, Fall 2022, Fall 2024
- Instructor, Data Analytics Capstone Course (DATA 510), Spring 2022, Summer 2022

Instructor, Smeal College of Business, Penn State University, 2014-2015

- Derivatives Markets, Summer 2014 and Fall 2015

Research Economist, U.S. Commodity Futures Trading Commission, Office of the Chief Economist, 2010-2013

Professional Service

Chair, Finance Area Hiring Search Committee, 2022

Member, Academic Honesty Committee, 2022-2024
Member, Awards Committee, 2021-2022
Member, Undergraduate Curriculum Committee, 2018-2021
Referee, Journal of Infrastructure, Policy and Development (2024)
Conference submission reviewer, Strategic Management Society (2024)
Referee, Complexity, 2020
Referee, Journal of Financial Research, 2018-2019
Referee, Pacific Basin Finance Journal, 2014-2015

Honors and Awards

Binghamton University SOM Award for Excellence in Teaching, 2020
Binghamton University SOM Faculty Teaching Honor Roll, Fall 2018 through
Spring 2024 (all semesters)
Smeal Small Research Grant recipient (2017)

Education

**Ph.D. in Finance, Smeal College of Business, Penn State University,
2013-2018**
GPA: 3.87/4

**B.A. in Economics and Journalism, The Ohio State University,
2006-2010**
GPA: 3.75/4; double major with research distinction in Economics