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Research Interests

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

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

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

- **The Cross-Section of Realized Index Option Returns**, with Dennis Lasser (Binghamton University, ret.) and Joshua Spizman (Loyola Marymount University)

Standard option pricing theory predicts that the option seller (“market maker”) is risk-neutral and earns zero profit on average. These assumptions are reflected in the predicted returns to option positions. We study the ways in which empirical reality diverges from theory by analyzing the cross-section of realized weekly returns on S&P 500 index options that traded from 2004 to 2020 with respect to moneyness and time to expiration. Preliminary results suggest that the realized returns to long (short) option positions are systematically smaller (larger) than theory would predict. We investigate several explanations for these

discrepancies, including risk-averse market makers pricing gamma risk, market makers functioning as insurers and absorbing aggregate market risk with costly capital, and imperfect competition among market makers.

- **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)

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 finds evidence of organizations demonstrating superior expectations when picking SFM resources. We also find that evidence of these superior expectations is greatest when the interaction of firm and managerial factors is specified. This implies there may be synergistic aspects, or co-specialization, between firms' idiosyncratic routines/capabilities and the managers involved with resource-picking in strategic factor markets. This study provides an important empirical test of core propositions in resource-based theory's consideration of strategic factor markets.

- **Matchmaking in the Labor Market for Governance**, with Jonathan Ross (Binghamton University)

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.

Works in Progress

- **Risk Aversion in Index Option Prices, with Tim Simin (Penn State University)**

The demand-based option pricing framework assumes the existence of "end-users" of traded options, but is silent with respect to the nature of these end-users' demand for option contracts. This paper analyzes deviations between the observed prices of index options and the prices predicted under the risk-neutral framework to shed light on the nature of this demand. Reformulating the familiar binomial option pricing model to include risk aversion on the part of end-users with existing exposure to the return on the stock market produces a pattern of results that closely mimics the observed mispricing of index options.

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 (accepted; forthcoming 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
- Instructor, Investments (FIN 322), Fall 2018, Fall 2019, Fall 2020, Fall 2022
- 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**

Provided economic analysis and designed data reporting regimes as the staff economist on the Commission's rulemaking teams for the Dodd-Frank Act's three major swap data reporting rules.

Served as project manager to lead and oversee the design, construction, and publication of the CFTC Swaps Report, a new Commission research product designed to increase the transparency of swaps markets.

Analyzed a wide range of financial data in assisting with Commission surveillance actions and enforcement investigations related to market manipulation and deceptive trading practices.

Professional Service

Chair, Finance Area Hiring Search Committee, 2022
Member, Academic Honesty Committee, 2022
Member, Awards Committee, 2021-2022
Member, Undergraduate Curriculum Committee, 2018-2021
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 Fall 2022 (all semesters)
Smeal Small Research Grant recipient (2017)