

The Chair of Corporate Finance and Governance organizes a research seminar in finance on

Tuesday, March 26, 2019, 5:15pm-6.45pm, room C230

**Tim KROENCKE**  
(Université de Neuchâtel)

## **"Recessions and the Stock Market "**

Abstract: Why do stock prices fall more sharply than dividends around recessions? One explanation could be that stock prices fall in anticipation of low future cash flows. Against conventional wisdom, I do not find empirical evidence for such a channel. Alternatively, prices might drop a lot because expected future returns are high. I find that stock price volatility increases substantially more than cash flow volatility during recessions, which suggests that large changes in the price of risk play a key role. I argue that standard calibrations of theoretical asset pricing models have difficulties in explaining the stock market around recessions.

**The research seminar is open to all interested persons**