Davidson Heath

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Employment

2015 –	Assistant Professor of Finance, University of Utah
2009 – 2010	Consultant: Compass Lexecon, Eagle Energy, Terra Verte Trading
2002– 2007	Vice President, Commodity Derivatives, BMO Capital Markets

Education

2010 – 2015	Ph.D. (Finance), USC Marshall School of Business
2007 – 2009	M.B.A. (Finance), U. Chicago Booth School of Business
2000 – 2002	M.Sc. (Math), Queen's University
1994 – 1999	B.Sc. (Biology & Math), University of British Columbia

Research

Macroeconomic Factors in Oil Futures Markets *Management Science (2018)*
This paper documents new evidence against perfect risk spanning in crude oil futures, and develops an affine futures pricing model that allows for unspanned macroeconomic factors. Compared to previous estimates, the oil spot premium is more volatile and strongly procyclical, which suggests that previous models miss the majority of variation in oil risk premiums. The estimates reveal a dynamic two-way relationship between oil futures and economic activity: productivity shocks are associated with higher oil prices, while oil price shocks affect economic activity by lowering future consumption spending. Unspanned macro factors also affect the valuation of real options.

What's a Brand Worth? Trademark Protection, Profits, and Strategy with Chris Mace *Revise & Resubmit, Review of Financial Studies*
We study the effects of trademark protection on firm profits, value and strategy. Using diff-in-diff and switching estimates around the passage and nullification of the Federal Trademark Dilution Act (FTDA) we find that from 1996 to 2002 the FTDA raised treated firms' operating margins by 12% and firm values by 9.5% on average. The FTDA's passage was followed by a spike in trademark lawsuits, lower entry, and higher concentration in more affected industries. Firms granted stronger trademark protection

reduced both product quality and innovation, and extended protected brands into all-new product markets.

Bias-Corrected Estimation of Price Impact in Securities Litigation with Taylor Dove and J.B. Heaton ***Revise & Resubmit, American Law and Economics Review***
Price impacts in legal event studies are systematically overestimated, a problem that carries over into damages calculations and results in securities litigation being settled or decided for excessive damages. We quantify and examine the bias using the empirical distribution of daily stock returns, and develop bias-corrected estimators of price impacts for single-event studies.

On Index Investing with Jeff Coles and Matt Ringgenberg
We quantify the impact of index investing on stock prices. Using a regression discontinuity analysis around yearly Russell index reconstitutions, we find that index investing introduces noise into stock prices, but does not impact long-term price efficiency or trading by arbitrageurs. Stocks with more index investors have prices that deviate more from a random walk and exhibit higher correlations with index price movements. However, these stocks have no difference in turnover, trading volume, or earnings response coefficients. In other words, index investing introduces noise but it does not impact the ability of arbitrageurs to impound information into prices.

Passive Investors are Passive Monitors with Daniele Macciochi, Roni Michaely and Matt Ringgenberg
Passively managed index funds now hold more than 25% of all U.S. mutual fund assets. Using a new regression discontinuity design, we study the governance implications of passive investing by directly examining the voice and exit mechanisms. We find that index funds are more likely to vote with a firm's management. Moreover, while they do regularly exit positions and omit holdings in their target benchmark, they do not use the exit mechanism to enforce good governance. Our results show that passive investing shifts power from investors to firm managers.

Not all profits are created equal: New evidence on the profits-leverage puzzle with Giorgo Sertsios
A robust and controversial finding in the capital structure literature is the inverse relation between profitability and leverage. We revisit this relation in light of a novel quasi-natural experiment that increases market power for a subset of firms and has product-market spillovers on their suppliers. We find that treated firms and their suppliers similarly increase their profitability, but only suppliers reduce their leverage in response. The different nature of profitability shocks explains the results: The profitability increase was permanent and riskless for treated firms, but transitory and risky for suppliers. Unobserved components of profitability variation seem to explain earlier findings.

Teaching

FIN 6022 -- Managerial Finance. Most Recent Average Evals = 5.7 / 6

Awards & Honors

2018 Distinguished Teaching Award, Eccles School of Business

Best Discussant – 2017 Front Range Finance Conference

USC Marshall Teaching Award 2015

Refereeing

Journal of Political Economy, Review of Financial Studies, Review of Asset Pricing Studies, Management Science, Journal of Business and Economic Statistics, American Journal of Agricultural Economics, Journal of Banking and Finance, Journal of Futures Markets, Quarterly Journal of Finance, Journal of Empirical Finance

Hobbies

Skiing, Running, Golf, Scotch