

Litong Zhang (张历潼)

CONTACT INFORMATION

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EDUCATION

University of Southern California <i>Marshall School of Business</i> Ph.D. in Finance and Business Economics	2021 – 2027 (expected)
Duke University M.A. in Economics 2019–2021 Duke Economics Master’s Scholar Awards	2019 – 2021
University of Utah B.S. in Finance and Mathematics Magna Cum Laude	2014 – 2018

RESEARCH INTERESTS

Social Finance, Behavioral Finance, Cognitive Biases in Trading, Empirical Asset Pricing, High-Frequency Text Analysis, LLM-Supervised Text Classification

WORKING PAPERS

[1] **Reference-Dependent Sentiment** (*Job Market Paper*)

– Abstract: Under what circumstances is a given paper gain/loss more relevant to trading decisions? I examine whether reference-dependent thinking among investors is associated with the strength of disposition-effect trading. Using 185.1 million StockTwits posts from 2013 to 2024 and an LLM-supervised classification, I construct a daily measure of reference-dependent sentiment, capturing whether investors frame their positions as gains or losses relative to past prices. In the cross-section, talking about gains (losses) is associated with more (less) retail selling of stocks with embedded gains (losses). At the market level, when investors talk more about gains (losses), turnover is higher (lower) on up-market (down-market) days. Around earnings announcements, buying good-news stocks after investors have been talking about gains and selling bad-news stocks after they have been talking about losses earns a Fama-French five-factor alpha of 1.03% per month, or 12.4% annualized, while the reverse strategy does not. Exploiting the introduction of StockTwits’ leaderboard as a plausible shock to framing legitimacy, I find that public reinforcement of gain-loss framing strengthens the relationship between reference-dependent sentiment and trading. Overall, reference-dependent sentiment identifies when the disposition effect shows up more strongly in trading and in prices around earnings news.

[2] **Reference-Point Fluency and Memorability**

– Abstract: This paper investigates how cognitive accessibility of reference-points shapes investor behavior, focusing on the disposition effect: the tendency to sell winning investments while holding losing ones. I show that round numbers serve as fluent and memorable cognitive reference points that amplify the disposition effect. The gain-loss gap in selling is 6.20 percentage points for regular-price

positions and 8.60 percentage points for round-price positions, an amplification of 2.40 percentage points (about 39 percent of the regular-price baseline); in account-level regressions the round-versus-regular amplification remains about 1.2 to 2.0 percentage points, or roughly one-third of the baseline disposition effect on regular-price holdings. A stock-split design that rescales purchase bases after the trade addresses purchase-time selection: the amplification persists when the adjusted basis remains round and vanishes when the split breaks roundness. Complementary evidence from earnings announcements shows that round consensus forecasts similarly organize market attention. The results highlight that reference dependence depends not only on what the reference point is, but on how easily it can be processed and remembered.

WORKING IN PROGRESS

[3] Reference-Dependent Sentiment and Price Dynamics

– Abstract: How does reference-dependent sentiment predict the path of stock prices? I examine whether investors' discussion of gains and losses predicts returns at different horizons. Using an LLM-supervised classification of StockTwits posts, I measure the daily intensity of reference-dependent sentiment in the market. When investors talk more about gains, subsequent prices fall in the short run, consistent with gain realization creating selling pressure. The effect weakens at intermediate horizons, and prices reverse upward at longer horizons. This pattern is consistent with temporary selling pressure that is gradually absorbed as the market clears, with limits to arbitrage potentially delaying price adjustment. Overall, the evidence suggests that reference-dependent sentiment helps predict not only whether investors trade, but also the timing of price pressure and its reversal.

[4] Social Gathering and Amplified Familiarity Bias

– Abstract: This paper investigates the causal role of contemporaneous social interaction in mutual fund managers' portfolio choices. Using manually collected information on the Top 30 MBA networks of alumni reunion cohorts, I show that mutual fund managers connected to senior officers (defined as CEO, CFO, and Chairman) at firms increase connected holdings following the MBA alumni reunions. My stock-level performance tests show fund managers do not achieve any significant positive returns on these connected positions following reunion events. My results are in favor of the familiarity hypothesis. Specifically, an increase in contacts leads to a notable surge in buying behavior, despite the absence of superior returns. These findings highlight the role of social networks as channels for the formation of behavioral bias.

PRESENTATIONS

2026

– USC Marshall Brownbag Seminar

2024–2025

– USC Marshall ($\times 2$)

2022–2023

– Conferences: USC Finance PhD Miniconference

HONORS & AWARDS

USC Marshall PhD Fellowship

Duke Economics Master's Scholar Awards, 2019–2021

Magna Cum Laude, University of Utah 2018

TEACHING

Sole Instructor, USC Marshall

– ECON 351 Microeconomics for Business, Undergraduate Core

Fall 2024

Teaching Assistant, USC Marshall

– GSBA 602 Selected Issues in Economic Theory I, PhD Core (Anthony Marino)

Fall 2023

– GSBA 612 Selected Issues in Economic Theory II, PhD Core (Odilon Câmara)

Spring 2024

SERVICE

Organizer: USC Finance PhD Conference 2024, 2025

OTHER EXPERIENCE

Research Assistant to David Hirshleifer, USC Marshall

2022 – Present

Research Assistant, Duke Fuqua

2019 – 2021

– Research Assistant to Alon Brav

– Research Assistant to Sharon Belenzon

Research Assistant to Matthew Ringgenberg, University of Utah

2019 – 2021

Research Assistant to Elena Simintzi, UNC Kenan-Flagler

2019 – 2021

OTHER INFORMATION

Programming: Python, R, Stata, SAS, SQL

ML/Tools: PyTorch, HuggingFace Transformers, DeBERTa, GPT API (OpenAI), scikit-learn, LLM fine-tuning & prompting

Data: CRSP, Compustat, WRDS, I/B/E/S, StockTwits

Languages: Chinese (Mandarin, native), English (fluent)

GRE: 334 (V 167, Q 167, AW 4.0)

REFERENCES

David Hirshleifer (Chair)

Robert G. Kirby Chair in Behavioral Finance

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