Title: **EQUITY DURATION: A Puzzle on High Dividend Stock**

Speaker: Zheng Sun, University of California at Irvine

Importance: Why this matters

Stocks with high dividend yields should have lower sensitivity to changes in interest rates (duration) than lower yielding growthier stocks, yet the empirical evidence is that they exhibit higher durations. This paper investigates potential rationales and explanations for that behavior

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc.”

The author used empirical durations (interest rate sensitivity) to describe the average and time varying behavior of high yielding stocks, and their performance relative to lower yielding stocks.

Innovation: Are there new techniques of interest in the data or approach to the problem?

The authors estimated empirical durations by regressing portfolios sorted by dividend yield on changes in interest rates and other control variables. The high yield stocks’ higher duration was robust to multiple specifications of the regression.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. High dividend yield stocks had higher empirical durations (beta on changes in the interest rate on 10-year Treasuries) than lower yielding stocks. The finding is robust to using inflation and real interest rates rather than nominal rates.

2. Investors’ time-varying demand for income appears to be the cause. The duration was low during the Tech Bubble, and has been high since the Financial Crisis when interest rates have been low.

3. Several other measures were used to illustrate that investors reach for income when interest rates are low. They shift from bonds to stocks. Flows increase to equity income funds. Valuations of yield stocks increase.

Audience rating: