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IMPLIED MATURITY MISMATCHES AND INVESTOR DISAGREEMENT

Abstract:

Maturity mismatches (MMs) expose banks to interest rate risk and thus add to the uncertainty and ambiguity of their performance. Given the significance of interest rate risk for banking operations, we study to what extent higher MMs and the increased ambiguity concomitant with them contribute to investor disagreement proxied by trading volume in the banks' equity. We overcome infrequency and opacity of accounting disclosures, which obscure their economic usefulness and the accurate measurements of MMs, by resorting to implied MMs, computed as stock return sensitivities to interest rate changes. We find that implied MMs are positively associated with trading volume, and that the role of returns in this relationship is minimal or null.

Keywords:

Asset-liability mismatch, maturity mismatch, trading volume, investor disagreement

JEL Classification: G12, G14, G21