Ruicong LI

Department of Finance – HKUST Business School
Clear Water Bay, Kowloon, Hong Kong

+(852)9147-7742 • rliah@connect.ust.hk

Education

Ph.D., Finance, Hong Kong University of Science and Technology	2015-2021
M.Sc., Economics, Hong Kong University of Science and Technology	2013-2014
B.Sc., Physics, Renmin University of China	2009-2013

Research Interests

Information Frictions and Empirical Asset Pricing; Textual Analysis; Network Analysis.

Working Papers

Asymmetric News Redundancy and the Cross-section of Stock Returns. (Job Market Paper)

Presented at: HKUST Finance Brown Bag Seminar 2020

Abstract: I propose a novel method to quantify the information content in firm disclosure based on information theory and data compression technology. Using the previous year's filing as a benchmark, I measure news redundancy ratio (NRR) and stale-news redundancy ratio (SNR) for quarterly and annual filings by U.S. public firms. I find that NRR is positively associated with filing announcement returns and firm operating performance, while SNR shows the opposite patterns. NRR also has strong implications for firms' future returns. A portfolio that buys stocks with high NRR and shorts stocks with low NRR generates value-weighted alphas of 7% per annum. This return predictability remains robust for large stocks, in crisis periods, and after controlling for known predictors and previous textual measures. These results imply a negative relationship between news redundancy and investors' processing costs and are consistent with the notion that managers disclose good (bad) news with higher (lower) redundancy and repeat stale-news to obfuscate poor performance.

A Benchmark for Collateralized Loan Obligations. (with Redouane ELKAMHI and Yoshio NOZAWA)

Presented at: Australian National University, HKUST, SAIF, University of Melbourne

Abstract: We build a benchmark for AAA-rated tranches of Collateralized Loan Obligations (CLOs) using Business Development Companies (BDCs), which hold a diversified portfolio of loans as CLOs do. Unlike CLOs, BDCs are publicly listed, and their share price, equity volatility, and borrowing cost are observable to researchers. Furthermore, BDC's debt is not rated as AAA. Applying a structural credit risk model of Nagel and Purnanandam (2019) to BDCs, we extract market-implied, forward-looking measures of default correlation in the loan portfolio. By comparing the credit spreads on AAA tranches of CLOs with BDC-implied benchmark, we conclude that seemingly large credit spreads on CLO senior tranches after the financial crisis are a fair reflection of the systematic risk of correlated loan defaults.

Jumps and Diffusive Volatility: A Granular Analysis of Individual Stock Returns. (with Chu ZHANG and Gang LI)

Abstract: We apply standard jump detection methods to daily returns on over 10 thousand of stocks listed in major US exchanges from year 1962 to 2019 and document the properties of detected jumps. Contrary to the conventional assumption that jump intensity positively related to diffusive volatility, we find little evidence of this pattern in the cross-section, and abundant evidence that realized jump intensity and diffusive volatility are not correlated or even negatively related over time for most of the individual stocks. These results provide new perspectives for specifying jumps in modeling options for individual stocks.

Robot Journalism and Stock Return Synchronicity.

Presented at: HKUST Finance Symposium Poster Session 2017

Abstract: Natural language processing (NLP) and generating (NLG) technologies show an impact on the financial market in recent decades. In 2014, Associated Press (AP) launched a "Robo-journalism" scheme to generate automated financial news articles using data collected from public firms' announcements. Using generalized difference-in-differences estimators, I find that on the one hand, retail investors' participation increases, and so does liquidity of the automatedly reported stocks. On the other hand, stock prices exhibit higher synchronicity, which indicates that relatively more market-wide and industry level information, rather than firm-specific information, is capitalized into stock prices after the automation. These results are consistent with an attention dilution effect by massively produced robot news, in which investors suffer from more severe attention constraints and exhibit more categorical learning behaviors.

Work in Progress

Attention Network, the Path of Information Spill-over and Cross-momentum.

The Dynamics of Investments, Payout Policy, and Debt: Evidence from Unexpected Cash Windfalls. (with Kasper NIELSEN and Sudipto DASGUPTA)

Teaching Experience

Tutor, Undergraduate Research Opportunity Program (UG Course)	Fall 2020
T.A., Fixed Income Analysis (MSc in Investment Management & Financial Analysis)	Spring 2020
T.A., FinTech Analytics (MSc in Investment Management & Financial Analysis)	Spring 2019
T.A., Market Structure and Trading (UG Course)	Spring 2019
T.A., Intro to Financial Markets (UG Course)	Spring 2017

Honors and Awards

HKUST Overseas Research Awards for PhD Students	2018
HKUST Postgraduate Studentship	2015-2020
HKUST M.Sc. Scholarship	2014
Excellent Graduating Student of Beijing (5%)	2013
Meritorious Winner, Mathematical Contest in Modeling (MCM)	2013

Other Information

Coding: SAS, Python, Matlab, Stata, VBA, Fortran, C++, LaTeX
Languages: Mandarin (Native), English (Fluent)

References

Prof. Chu ZHANG
Professor
Department of Finance
HKUST Business School
czhang@ust.hk

Prof. Jialin YU
Associate Professor
Department of Finance
HKUST Business School
jialin@ust.hk

Prof. Yoshio NOZAWA
Assistant Professor
Department of Finance
HKUST Business School
nozawa@ust.hk