Yueliang (Jacques) Lu, FRM
Curriculum Vitae

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EDUCATION

Ph.D. in Business Administration (Finance), University of North Carolina at Charlotte — 2023 (*Expected*)

- Chairs: Yufeng Han & Weidong Tian (Co-Chair)
- Committee Members: Ethan Chiang, Steven P. Clark and Christopher M. Kirby
- Informal Advisor: Guofu Zhou (WashU)

Master of Science in Quantitative Finance and Risk Analytics, Rensselaer Polytechnic Institute — 2017

- Advisor: Aparna Gupta

Bachelor of Art in Economics, Major: Finance, Beijing Foreign Studies University — 2016

RESEARCH INTERESTS

- Empirical (and Theoretical) Asset Pricing, Derivatives and Options, Big Data/Machine Learning in Finance

PUBLICATION

1. "Addressing Systemic Risk Using Contingent Convertible Debt - A Network Analysis," ***European Journal of Operational Research***, *2021, Vol 290, Issue 1, pp. 263-277* (with Aparna Gupta and Runzu Wang)

- 2018 FMA Best Paper Award in Derivatives & Options
- 2018 INFORMS Best Student Paper Award Finalist (Finance Section)
- 2017 GARP Research Fellowship

JOB MARKET PAPER

1. Macroeconomic Extrapolation, Machine Learning, and Equity Risk Premium Forecast (with Yufeng Han)

- Presentations: 2022 FMA, 2022 FMA Doctoral Consortium, 2022 International Symposium on Forecasting
- Studies on equity risk premium forecasts usually rely on the most recent macroeconomic variables. We present a macroeconomic trend extrapolation approach that utilizes economic fundamentals of different time periods simultaneously and sequentially in the aggregate market. We demonstrate that the trend-pooling method statistically and economically outperforms the historical average that assumes a constant equity risk premium, as well as Rapach, Strauss, Zhou's (2010) simple pooling method that ignores the historical information in macroeconomics. We further find that combing trend extrapolation with neural networks generates monthly out-of-sample R^2_{OS} statistics as high as 4%. Pooling the time-series trends more closely tracks important macroeconomic fluctuations and more effectively regulates the forecast variability, thereby generating superior and robust forecasting gains consistently over time.

WORKING PAPERS & WORK IN PROGRESS

1. Market Risk Premium Expectation: Combining Option Theory with Traditional Predictors (with Hong Liu, Weike Xu & Guofu Zhou)

- Presentations: WashU Brownbag

- The market risk premium is central in finance, and has been analyzed by numerous studies in the time-series predictability literature and by growing studies in the options literature. In this paper, we provide a novel link between the two literatures. Theoretically, we derive a lower bound on the market risk premium in terms of option prices and state variables. Empirically, we show that combining information from both options and investor sentiment significantly improves the out- of-sample predictability of the market risk premium versus using either type of information alone.

2. Equity Forward Return from Derivatives (with Weidong Tian & Steven P. Clark), *Under Review*

   - Presentations: CICF 2021, AFA 2022, FMA 2022
   - This paper develops a theory of forward returns for an equity index. A term structure of forward returns is estimated using information from derivatives markets, including index option prices and gammas, VIX-futures, and prices of VIX-options. We document a pro-cyclical term structure of S&P 500 forward returns and a robust short-term reversal pattern. Moreover, by designing and implementing a market-timing strategy, we demonstrate that forward equity returns provide real-time trading signals with substantial economic value.

3. Mispricing and Anomalies: An Exogenous Shock to Short Selling from JGTRRA (with Yufeng Han, Weike Xu & Guofu Zhou), *Under Review*

   - Presentations: SFS Cavalcade North America 2021, AFA 2021, MFA 2021, CICF 2022
   - Whether anomalies are due to mispricing or risk is an important question. We study the causal effect of short-sale constraints on anomalies by examining an extensive set of 182 anomalies documented in the accounting, finance and economics literature. Our identification strategy relies on a persistent, robust and plausibly exogenous shock to short-selling supply induced by the dividend tax law change in the Job and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003. We find that anomalies become stronger following the dividend record months, driven by stronger overpricing as opposed to underpricing in the post-JGTRRA periods. Interestingly, while the shock magnifies returns to most anomaly types, we find that valuation anomalies seem unlikely to be driven by mispricing.

4. An On-line Machine Learning Return Prediction (with Weidong Tian), *Revise & Resubmit*

   - This paper presents a new prediction methodology for long-short portfolio return in its multiplicative version. Our method relies on the on-line universal portfolio construction. We derive a closed-form predicting formula whose coefficients are solely determined by historical data. We empirically and robustly demonstrate that the predictive error can be as small as 2%. This methodology provides a promising application of on-line machine learning to portfolio return prediction with a sufficiently large dataset.

5. Reconciliation Forecasts (under empirical analysis stage)

TEACHING

University of North Carolina at Charlotte

Lecturer and Guest Lecturer*

1. FINN 3226 Financial Theory and Practice (*Advanced Corporate Finance*)

   - Evaluation: 4.78 (4.39, Finance section mean)

2. FINN 3120 Financial Management

   - Evaluation: 4.45 (4.22), 4.35 (4.25), 4.40 (4.20)

3. FINN 6216 Quantitative Risk Management* (*MS in Math Finance*, with Prof. Weidong Tian)

4. FINN 3223 International Financial Management* (with Prof. Lloyd Blenman)

CONFERENCES AND SEMINARS

2022   FMA (**x2 papers**), CICF, AFA, WashU Brownbag, International Symposium on Forecasting
2021   SFS Cavalcade North America, CICF, AFA, MFA, FMA
2020   WashU Brownbag, SFA, INFORMS, IRMC
2018   FMA, INFORMS, EFMA, IRMC

FELLOWSHIPS, GRANTS, AND AWARDS

2022   UNC Charlotte Belk College Summer Research Grant
2021   UNC Charlotte Belk College Summer Research Grant
2020   AFA Ph.D. Travel Grant
2020   INFORMS Ph.D. Student Grant
2018   FMA Best Paper Award in Derivatives & Options
2018   INFORMS Best Student Paper Award Finalist (Finance Section)
2017   Global Association of Risk Professionals (GARP) Research Fellowship

PROFESSIONAL SERVICE

Journal Referee

- International Review of Economics & Finance

Conference Discussant & Chair & Paper Reviewer

2022   FMCG (x2 papers), CIRF, Derivative Markets Conference
2021   FMA (x2 papers), SFA, EasternFA
2020   FMA, SFA

CERTIFICATIONS

- Certified Financial Risk Manager (FRM), Global Association of Risk Professionals (GARP)

- Chartered Financial Analyst (CFA), Level III candidate

- Bloomberg Market Concepts (BMC) Certified

REFERENCES

Yufeng Han (Chair)
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Weidong Tian (Co-Chair)
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Guofu Zhou
Frederick Bierman and James E. Spears Professor of Finance
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