Shuaiyu Chen

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CONTACT
INFORMATION

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EMPLOYMENT

Krannert School of Management, Purdue University   West Lafayette, IN
Assistant Professor of Management (Finance)   August 2021 –

EDUCATION

Simon Business School, University of Rochester   Rochester, NY
Ph.D. in Business Administration (concentration in Finance)   2015–2021

Johns Hopkins University   Baltimore, MD
M.S., Applied Mathematics and Statistics   2013–2015

Central University of Finance and Economics   Beijing
B.S., Mathematical Economics   2009–2013

RESEARCH
INTERESTS

Empirical asset pricing, delegated portfolio management, institutional investors, short selling and securities lending

WORKING
PAPERS

Tomorrow Is Another Day: Stocks Overweighted by Active Mutual Funds Predict the Next-Day Market (with Yixin Chen and Randolph B. Cohen)   2022
We show that active mutual fund managers effectively incorporate information about future short-term market movements into security prices. Specifically, when high active-mutual-fund ownership stocks outperform, the market tends to do well the next day, and vice-versa. These effects are modest day by day but are quite large in the aggregate - trading the S&P 500 futures daily based on the strategy delivers an average annual return over 15% with a Sharpe ratio over 0.9. The same findings are also present in other major equity markets all around the world. Various additional tests further suggest that the novel short-term market return predictability results from active mutual fund managers' collective information advantage about future market movements, as opposed to informed fund flows or temporary price pressure.

Idiosyncratic Volatility and Fund Performance: When Does It Pay to Use Active Managers?   2021
This paper shows that the benchmark-adjusted return of active equity funds is time-varying and highly predictable with the average level of stock idiosyncratic volatilities in the cross-section, the so-called Aggregate Idiosyncratic Volatility (AIV). Using the sample of active US equity mutual funds from 1984 to 2020, we document that AIV positively predicts benchmark-adjusted fund returns, and its predictive power is stronger for funds deviating more from their benchmarks. In addition, we find that this phenomenon is prevalent around the world using a comprehensive sample of international equity mutual funds. Our preferred explanation for these findings is that AIV decreases the risk-bearing capacity of active funds so they require higher rewards for bearing larger tracking errors. Additional tests largely support our story. First, the effect of unexpected AIV on contemporaneous benchmark adjusted returns is negative. Second, on average, funds scale back active positions and reduce liquidity provision activity when AIV rises. Third, funds that trade against past stock price movements earn greater returns following high AIV levels. Overall, our paper answers a critical question: when will active funds generate outperformance for their clients?

Do Institutional Investors Affect News Coverage? The Role of Media Ownership (with Zhao Jin and Yucheng Yang)   2022
We study the effects of institutional investors' ownership in media firms on news coverage. We find that a media outlet issues more positive news coverage of a firm when they have common institutional investors. Our results are stronger for firms overweighted by the common investors and primarily driven by actively-managed funds. We establish causality by relying on 1) fixed effects that control for all time-varying

firm fundamentals and potential matching between firms and media outlets, and 2) the quasi-natural experiment of financial institution mergers. We also find that media ownership is associated with greater fund flows but not better performance.

WORKING IN PROGRESS	**Shares Lending with Asymmetric Information and Market Power** (with Ron Kaniel and Christian Opp)
SEMINARS	2021: University of Rochester, Purdue University, Tulane University, CKGSB, CUHK (some were presented by co-authors)
CONFERENCES	2022: Young Scholar Finance Consortium 2021: Five-Star Finance Conference (Shanghai), Wabash River Finance Conference, Southwestern Finance Association Conference 2022 (scheduled)

PROFESSIONAL SERVICES

Referee: Management Science
Discussion:
- **"Informed Trading Intensity"** by Vincent Bogousslavsky, Vyacheslav Fos, and Dmitriy Muravyev at 2021 Conference on Financial Economics and Accounting

TEACHING EXPERIENCE

Krannert School of Management, Purdue University
- Investment Management
  Teaching evaluation: 4.4/5.0 (2021)

Simon Business School, University of Rochester
- Laboratory for Quantitative Finance with Python
  Teaching evaluation: 4.1/5.0 (2018), 4.6/5.0 (2019)

SKILLS

Python, MATLAB, SAS, SQL, R, Stata, Linux

REFERENCES

Ron Kaniel (Co-chair)
Jay S. and Jeanne P. Benet Professor of Finance, University of Rochester
E-mail: ron.kaniel@simon.rochester.edu

Alan Moreira (Co-chair)
Associate Professor of Finance, University of Rochester
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Robert Novy-Marx
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