

Fulin Li

Email: fli3@chicagobooth.edu
Website: <https://lifulin.github.io>

The University of Chicago Booth School of Business
5807 S Woodlawn Ave, Chicago, IL 60637

Education

The University of Chicago

Booth School of Business and Kenneth C. Griffin Department of Economics

Expected 2023

Ph.D. in Financial Economics

Columbia Business School

2017

M.S. in Financial Economics

Peking University

2015

B.Econ. in Finance and Banking

B.S. in Mathematics and Applied Mathematics

Research Interests

Asset Pricing, Macroeconomics

Job Market Paper

1. Retail Trading and Asset Prices: The Role of Changing Social Dynamics

Social-media-fueled retail trading poses new risk to institutional investors. This paper examines the origin and pricing of this new risk. Using GameStop as a case study, I first establish that aggregate fluctuations in retail sentiment originated from a growing and concentrated social network. I then document that retail sentiment fluctuations induced changes in investor base composition. As sentiment increased throughout 2020 and 2021, retail investors built up long positions, while price-elastic long institutions started to exit the market since early 2020. Short interest stayed high in 2020, then dropped sharply following the price surge in January 2021, and remained low throughout 2021. I develop a model to show that retail sentiment shocks shift investor composition, which in turn determines the price of retail sentiment risk. In particular, following an increase in aggregate retail sentiment, price-elastic long institutions first hit their short-sale constraints. Then short institutions hit the margin constraints, leading to a short squeeze. As a consequence, the market for an individual stock becomes price-inelastic, and a moderate retail sentiment shock can have a large price impact. The model reconciles the price, quantity and retail sentiment dynamics of GameStop. Finally, I conduct counterfactuals, which show that social network dynamics shape the distribution of sentiment shocks, and have economically large impact on asset prices.

Working Papers

1. Neoclassical Growth Transition Dynamics with One-Sided Commitment

(with Dirk Krueger and Harald Uhlig)

This paper characterizes the transition dynamics of a continuous-time neoclassical production economy with capital accumulation in which households face idiosyncratic income risk. Insurance companies operating in perfectly competitive markets offer long-term insurance contracts and can commit to future contractual obligations, whereas households cannot. Therefore the equilibrium features imperfect insurance and a non-degenerate cross-sectional consumption distribution. When household labor productivity takes two values, one of which is zero, and the utility function is logarithmic, we show that the transition dynamics induced by unexpected positive or negative technology shocks, including the evolution of the consumption distribution, can be calculated in closed form, as long as the initial deviation from the steady state is not too large. This is in contrast to both the standard representative agent neoclassical growth model as well as Bewley (1986) style models with uninsurable idiosyncratic income risk. Thus the paper provides an analytically tractable alternative to the standard incomplete markets general equilibrium model developed in

Aiyagari (1994) by retaining its physical structure, but substituting the assumed incomplete asset markets structure with one in which limits to consumption insurance emerge endogenously, as in the macroeconomic literature on limited commitment.

2. Time Variation in the News>Returns Relationship

(with Paul Glasserman and Harry Mamaysky)

The well-documented underreaction of stock prices to news exhibits substantial time variation. Higher risk-bearing capacity of financial intermediaries, lower passive ownership of stocks, and more informative news increase price responses to contemporaneous news; surprisingly, they also increase price responses to lagged news (underreaction). Our findings are not driven by short-sale constraints, serial correlation in news flow, or improved information processing capacity. We discuss possible mechanisms based on investor behavior and strategic order-splitting by institutions. A simple model with limited attention and three investor types – institutional, non-institutional, passive – predicts the varying response to news we observe.

Conferences and Workshops

Presentations (* indicates presentation by co-author)

2022: North American Summer Meeting of the Econometric Society*, BSE Summer Forum*, Chicago Joint Program and Friends Conference (Poster Session)

2021: Hydra Workshop on Business Cycles*, Oxford Saïd – ETH Zürich Macro-Finance Conference*

Invited Workshops

2019: Princeton Initiative: Macro, Money and Finance

Teaching Experience

The University of Chicago

Corporate Finance (EMBA), TA for Pietro Veronesi	2020-2021
--	-----------

Investments (MBA), TA for John Heaton	2019-2020
---------------------------------------	-----------

Financial Economics: Speculative Markets (Undergrad), TA for Fernando Alvarez	2019-2021
---	-----------

Columbia Business School

Capital Markets and Investments (MBA), TA for Harry Mamaysky	2016
--	------

Research Experience

The University of Chicago

RA for Carolin Pflueger	2021
-------------------------	------

RA for Dirk Krueger and Harald Uhlig	2019-2021
--------------------------------------	-----------

RA for Elisabeth Kempf and Lubos Pastor	2019-2020
---	-----------

Columbia Business School

RA for Paul Glasserman and Harry Mamaysky	2016-2017
---	-----------

Awards, Fellowships, and Grants

John and Serena Liew Fellowship Data Grant	2022
--	------

CRSP Summer Grant	2018
-------------------	------

Affiliations and Other Activities

Chicago Booth Standing Committee on PhD Climate	2020-2021
---	-----------

Chicago Booth Finance Brownbag (Co-organizer)	2019-2020
---	-----------

Additional Information

Citizenship: China

Computing: R, Matlab, Python, SAS, Stata, Mathematica (Ordered by expertise)

Languages: English (Fluent), Mandarin Chinese (Native)