Fulin Li

Email: fli3@chicagobooth.edu
Phone: +1 (917) 244-9205
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 Expected 2023
Booth School of Business and Kenneth C. Griffin Department of Economics
Ph.D. in Financial Economics

Columbia University in the City of New York 2017
Columbia Business School
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. I first present stylized facts on prices, quantities, and retail investors' beliefs for a set of meme stocks. I establish that aggregate fluctuations in retail sentiment originated from a growing and concentrated social network. The retail sentiment fluctuations induced changes in investor composition. As sentiment increased throughout 2020 and 2021, retail investors built up long positions, while price-sensitive long-only institutions have gradually exited 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. Motivated by these facts, I develop a model of the interaction between three groups of investors – retail investors, long-only institutions, and short sellers. I calibrate the model to match the price, quantity, and retail sentiment dynamics during this period. Then I use the calibrated model to demonstrate that social network dynamics shape the distribution of retail sentiment and have an economically large impact on asset prices. In the model, retail investors participate in a social network with concentrated linkages. This implies that their idiosyncratic sentiment shocks can lead to aggregate fluctuations in retail sentiment. Aggregate retail sentiment shocks shift investor composition, which in turn determines the price of retail sentiment risk. Following an increase in the aggregate retail sentiment, price-elastic long-only institutions first hit their short-sale constraints, leading to a decrease in the aggregate demand elasticity in the market for an individual stock. Then a "small" positive retail sentiment shock can have a "large" price impact and even squeeze short sellers.

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)
Revise and resubmit at *Journal of Financial and Quantitative Analysis*

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 core), TA for Pietro Veronesi 2020-2021
TA Evaluations: 4.38/5, 4.59/5
Investments (MBA core), 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 core), TA for Harry Mamaysky 2016

Other 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

Languages and Computer Skills

Computer Skills: R, Matlab, Python, SAS, Stata, Mathematica (Ordered by expertise)
Languages: English (Fluent), Mandarin Chinese (Native)

References

Ralph S.J. Koijen (Co-chair)
AQR Capital Management Distinguished Service
Professor of Finance and Fama Faculty Fellow
University of Chicago
Booth School of Business
ralph.koijen@chicagobooth.edu

Stefan Nagel (Co-chair)
Fama Family Distinguished Service
Professor of Finance
University of Chicago
Booth School of Business
stefan.nagel@chicagobooth.edu

Lars Peter Hansen
David Rockefeller Distinguished Service Professor
University of Chicago
Kenneth C. Griffin Department of Economics,
Department of Statistics, and
Booth School of Business
lhansen@uchicago.edu

Zhiguo He
Fuji Bank and Heller
Professor of Finance and Jeuck Faculty Fellow
University of Chicago
Booth School of Business
zhiguo.he@chicagobooth.edu

Harald Uhlig
Bruce Allen and Barbara Ritzenthaler
Professor of Economics
University of Chicago
Kenneth C. Griffin Department of Economics
huhlig@uchicago.edu