

# Fulin Li

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The University of Chicago Booth School of Business  
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## Education

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### The University of Chicago

*Booth School of Business and Kenneth C. Griffin Department of Economics*  
Ph.D. in Financial Economics

Expected 2023

### Columbia Business School

M.S. in Financial Economics

2017

### Peking University

B.Econ. in Finance and Banking  
B.S. in Mathematics and Applied Mathematics

2015

## Research Interests

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Asset Pricing, Macroeconomics

## Job Market Paper

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

Social-media-fueled retail trading poses new risks 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 originate from a growing and concentrated social network. The retail sentiment fluctuations induce changes in investor composition. As sentiment increased throughout 2020 and 2021, retail investors built up long positions, while price-sensitive long-only institutions 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. I then develop a model that reconciles the price, quantity, and retail sentiment dynamics during this period. In the model, retail investors participate in a social network with concentrated linkages. The concentration of the network implies that idiosyncratic sentiment shocks do not "average out," which leads to aggregate fluctuations in retail sentiment. Aggregate 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-only institutions first hit their short-sale constraints. This leads to a decrease in aggregate demand elasticity in the market for an individual stock. Then a "small" retail sentiment shock can have a "large" price impact and even squeeze short sellers. Finally, I conduct counterfactuals, which show that social network dynamics shape the distribution of retail sentiment risk and have economically large impact on asset prices.

## Working Papers

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### 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

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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

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The University of Chicago

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

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

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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

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John and Serena Liew Fellowship Data Grant 2022

CRSP Summer Grant 2018

## Affiliations and Other Activities

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Chicago Booth Standing Committee on PhD Climate  
Chicago Booth Finance Brownbag (Co-organizer)

2020-2021  
2019-2020

## Language and Computer Skills

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

## References

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### **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  
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### **Stefan Nagel (Co-Chair)**

Fama Family Distinguished Service  
Professor of Finance  
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### **Lars Peter Hansen**

David Rockefeller Distinguished Service Professor  
University of Chicago  
Kenneth C. Griffin Department of Economics,  
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### **Zhiguo He**

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### **Harald Uhlig**

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