BENJAMIN MARROW

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Education

University of Chicago, Booth School of Business, Ph.D., Financial Economics *2019–present*

Booth School of Business, M.B.A *2024*

Yale College, B.A., Ethics, Politics, & Economics *2013–2017*
Magna cum Laude, Phi Beta Kappa

References

Professor Stefan Nagel (Chair)
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Professor Ralph Koijen
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Professor Lars Peter Hansen
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Research and Teaching Fields

Primary: Empirical Asset Pricing, Behavioral & Institutional Finance
Secondary: Household Finance, Corporate Finance

Job Market Paper

The Pricing of Earnings News

Abstract: How does earnings news get priced into stock returns? I use a demand-system approach to show that this passthrough depends on investor responses to both earnings and prices and that these sensitivities are heterogeneous across investors. A key identification challenge is that earnings news is rapidly incorporated into prices; as a result, it is difficult to distinguish whether investors react to the earnings news itself or the concurrent price change. Using a two-step procedure to isolate price from earnings responses, I identify an average asset-weighted earnings elasticity of 3, i.e. for a stock that beats earnings expectations by 1%, the average investor would increase the shares he holds by 3% if prices were held fixed. These estimates vary across sectors, with institutional investors earnings elastic and price inelastic compared to a residual household sector. The stock-level sensitivities implied by their ownership account for heterogeneous earnings passthroughs, as stocks with higher earnings sensitivity and lower price sensitivity see larger return responses from the same earnings surprise. Extremes of price and earnings elasticities are also closely related to misreaction: a strategy that bets

on subsequent reversal (momentum) in sensitive (insensitive) stocks in response after earnings news generates significant outperformance and alpha. These findings suggest that the pricing of earnings news is closely related to the ownership structure of stocks.

Working Papers

Real-Time Discovery and Tracking of Return-Based Anomalies (with Stefan Nagel)

Abstract: We explore the cross-sectional predictability of stock returns with lagged past returns through the lens of a hypothetical Bayesian researcher who begins with an initial prior that is neutral, showing no bias toward momentum, reversal, or other predictable patterns. This researcher considers a wide range of monthly lags as potential return predictors. By applying Gaussian process regression, which flexibly allows expected returns to depend on lagged returns, and using empirical Bayes shrinkage to guard against spurious anomaly discovery due to multiple testing and against mistaking the ex-post visible effects of investor learning as ex-ante expected returns, this researcher would have discovered prominent return-based anomalies—such as momentum and long-term reversal—well before the authors of the published studies analyzed the data. This suggests that these anomalies represented properties of ex-ante expected returns at the time of their academic discovery. However, tracking these anomalies in real-time, with posterior beliefs based on optimally weighted historical data, reveals that the ex-ante expected returns of many prominent anomalies diminish significantly around their publication dates. Based on these findings, there is little justification for viewing momentum, long-term reversal effects, or other return-based anomalies as permanent features of the cross-section of expected stock returns.

Inflation Expectations and Stock Returns (with Manav Chaudhary)

Abstract: How do inflation expectations affect stock returns, and what accounts for this relationship? We directly measure investors' expectations using traded inflation-indexed contracts and show that, post-2000, stocks offer positive returns in response to higher expected inflation: unconditionally, a 10 basis point increase in 10-year breakeven inflation is associated with a 1.1% increase in the value-weighted stock index. Using a wide range of approaches, we show that this positive relationship is almost entirely due to aggregate variations in expected excess returns rather than changes in firm cash flows (e.g., due to higher mark-ups) or fluctuations in risk-free rates (e.g., due to expected monetary policy response). Overall, a risk premium "proxy" mechanism appears to explain this dominant role of expected excess returns: higher long-term inflation expectations signal stronger future economic growth and reduced volatility.

The Past is Present: Optimal Monetary Policy at the Effective Lower Bound (with Fernando Duarte)

Abstract: We use a New Keynesian model with an effective lower bound (ELB) and a general stochastic process for the natural rate to study optimal monetary policy. The central bank has perfect commitment and an interest rate smoothing term in its loss function. Despite the ELB binding occasionally and endogenously, we can derive a closed-form solution for the optimal interest rate: it is the maximum of zero and a weighted average of all past realizations of the output gap. This implies that the optimal interest rate (i) takes a simple form, (ii) is path dependent at all times, (iii) should be pre-emptively lowered when close to the ELB — or kept at zero if at the ELB — if and only if the weighted average of past output gaps is negative, and (iv) behaves very differently from the Taylor rule. We illustrate these insights by solving for key variables in the New Keynesian model using a neural network.

Works in Progress

Subjective Expectations and Saving for Retirement (with Jingoo Kwon)

Bank Relationships and the Pricing of Loans (with Brandon Zborowski)

Awards, Scholarships, and Grants

Fischer Black PhD Fellowship	*2023*
AQR Asset Management Institute Prize (*Best Finance Paper, TADC Conference*)	*2023*
Yiran Fan Memorial Fellowship (*Best 3rd Year Finance Paper*)	*2022*
CRSP Summer Research Prize	*2020*
John and Serena Liew Fama-Miller PhD Fellowship	*2019*
Phi Beta Kappa	*2017*
James Tobin Research Fellowship	*2016*

Teaching Experience

Asset Pricing II (PhD)	TA for Ralph Koijen, Stefan Nagel	*Winter 2024*
Corporate Finance I (PhD)	TA for Zhiguo He, Doug Diamond	*Fall 2022*
Advanced Investments (MBA)	TA for Stefan Nagel	*Winter 2023*
Portfolio Management (MBA)	TA for Lubos Pastor	*Spring 2023*
Behavioral Finance (MBA)	TA for Sam Hartzmark	*Spring 2022*
Corporation Finance (Undergraduate)	TA for Constantine Yannelis	*Spring 2021*

Employment

Senior Research Analyst in Capital Markets, Federal Reserve Bank of New York	*2017–2019*
Quantitative Analysis Associate, New York Yankees	*2022*
Research Assistant for Profs. Aleh Tsyvinski, Fernando Parro, Lorenzo Caliendo	*2017*
Research Assistant for Prof. Michael Peters	*2016*
Research Assistant for Prof. Edward Snyder	*2014*
Summer Analyst, Abdiel Capital	*2014*

Professional Experience

Organizer of Behavioral Finance Reading Group	*Fall 2023*
Member of Booth Standing Committee on PhD Climate	*2023–2025*

Conferences *Trans-Atlantic Doctoral Conference*, *Yiran Fan Memorial Conference*, *Inter-Finance PhD Seminar*, *IHS Graduate Conference*

Refereeing Activity *Journal of Corporate Finance*

Additional Information

Citizenship USA

Programming Skills R, Python, SAS/SQL, Stata, Matlab, LaTeX

Languages English (Native), Ancient Greek, Latin

Other interests Chess (Yale, University of Chicago Chess Team; former New Jersey State Championship team); Scrabble (3rd nationally at the National Scholastic Championships), sports statistics, blogging