# Edwin Hu

## Contact

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## Interests

Information asymmetry, institutional investors, networks, causal inference.

## Education

Rice University, Jesse H. Jones Graduate School of Business, Houston, TX USA

Ph.D, Finance (Expected 2016)

University of Washington, Seattle, WA USA

B.S. Applied and Computational Mathematical Sciences

- A joint program between Computer Science and Applied Math.

B.S. Economics *Cum Laude* (2006 - 2010)

## Working Papers

### Information Diffusion in Institutional Investor Networks

**Job Market Paper**

This paper shows that network information flows generate a substantial information advantage for "central" institutional investors. I develop a new measure, Information Diffusion Centrality, which captures an investor's access to novel information as it arrives and diffuses through the network. I show that the abnormal interim trading performance of central investors is on average 32 basis points higher than that of peripheral investors in the following quarter. Central investors also have superior access to information about mergers. Central investors' round-trip trading performance in target stock is on average 150 basis points higher than that of peripheral investors. Centrality is distinct from common sources of information due to connections to merger advisors, is unrelated to industry expertise, and does not spuriously predict trading performance around sudden deaths of board members and key executives. My results suggest that institutional investors regularly share valuable information with one another.

What Does the Pin Model Identify as Private Information?

*with Jefferson Duarte, and Lance Young*

**Revise and Resubmit at Journal of Finance**

> Some recent papers suggest that the Easley and O'Hara (1987) probability of informed trade (PIN) model fails to capture private information. We investigate this issue by comparing the PIN model with the Duarte and Young (2009) (DY) and Odders-White and Ready (2008) (OWR) models of private information arrival. We find that the PIN and DY models fail to capture private information because they mistakenly associate variations in turnover with the arrival of private information. On the other hand, the OWR model, which uses returns along with order flow imbalance to identify informed trade, seems to produce patterns that are consistent with the arrival of private information.

Presented at Multinational Finance Society Conference (MFS, 2015 by co-author) **Best Paper Award**, China International Finance Conference (CICF, 2015 by co-author), Society of Financial Econometrics Conference (SoFiE, 2015 by co-author), Instituto Technologico Autonomo de Mexico Conference (ITAM, 2015 by co-author). To be presented at the American Finance Association Conference (AFA, 2016).

Credit Be Dammed: The Impact of Banking Deregulation on Economic Growth

*with Elizabeth Berger, Alexander Butler, and Morad Zekhnini*

> We document substantial variation in the effect of state-level bank branching deregulation in the United States on economic growth. We examine the sources of this variation by testing multiple channels that may link deregulation and economic growth. Using a matching method that utilizes synthetic counterfactual states, we find support for the hypothesis that economic growth was associated with states where deregulation solved a capital immobility or "dammed" credit problem. We do not find support for other channels, which posit that banks became more efficient, financed more innovative businesses, or learned by observing prior deregulations.

Presented at Securities and Exchange Commission (SEC, 2014 by co-author), Financial Management Association Conference (FMA 2013), Yale School of Management (2015, by co-author).

## PROFESSIONAL ACTIVITIES

- FMA Chicago (2013), presenter and discussant

## TEACHING

Rice University (Teaching Assistant)

Core Finance (Spring 2014) *Full time and Professional MBA*
- Average teaching evaluation: 4.4/5
- 2 sessions per week with additional exam recitations and grading

- Average 20 students per week, up to 100+ students for exams
- In class and on-line participation

## CITIZENSHIP

USA (Born)