Fabio Franceschini

Contact info

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Fields of interest

Asset Pricing, Economic Growth, Green Finance

References

M. Gonzalez-Eiras
Associate Professor
University of Bologna
mge –> alum.mit.edu

Mariano Massimiliano Croce
Professor of Finance
Bocconi University
mmc287 –> gmail.com

Education

PhD in Economics **2024**
University of Bologna, Italy
Advisors: M. Gonzalez-Eiras, M. M. Croce

Visiting Student at *London Business School,* UK 2022-23
Sponsor: H. Kung
Courses: Asset Pricing (audit), Empirical Finance (audit)

Visiting Student at *Bocconi University,* Italy (Virtual) 2020-21
Sponsor: M.M. Croce
Courses: Advanced Topics in Asset Pricing (A+), Applied Asset Pricing (audit), Econometric Methods for Finance and Macroeconomics (A-)

Visiting Student at *Vienna Graduate School of Finance,* Austria (Virtual) 2020
Sponsor: C. Wagner
Courses: Asset Pricing (audit)

MSc in Advanced Economics and Finance **2018**
Copenhagen Business School, Denmark
Thesis: "Intermediary Asset Pricing and Betting Against Beta"

Credit Student at *University of Copenhagen (DIKU),* Denmark 2017
Courses: Machine Learning, Natural Resources Economics

BSc in Business Administration **2016**
University of Bologna, Italy
Thesis: "How the financial sector's development affects real growth"

HSD in Mechanical Engineering **2013**
I.I.S. Aldini Valeriani, Italy
Final dissertation: "Money"

Teaching experience

Asset Pricing (G), TA to M. Eiras 2024
University of Bologna, Italy

Financial Econometrics (G), TA to G. Moramarco 2024
University of Bologna, Italy

Asset Pricing (G), TA to M. Eiras 2023
University of Bologna, Italy

Asset Pricing (G), TA to M. Eiras 2022
University of Bologna, Italy

Asset Pricing (G), TA to G. Camera 2021
University of Bologna, Italy

Financial Economics (Ug), TA to G. Camera 2020
University of Bologna, Italy

Macroeconomics 2 (Ug), TA to A. Sørensen 2018
Copenhagen Business School, Denmark

Relevant positions

Research Fellowship in Climate Finance 2023-24
University of Bologna, Italy
Supervisor: G. Cavaliere

PhD students' representative in the Council of Department 2019-22
University of Bologna, Italy

Organizer of the DSE Reading Group in Macro-Finance 2019-21
University of Bologna, Italy

Research Assistant 2017
Copenhagen Economics A/S, Denmark

Planning and Control Intern 2014
Bologna Local Health Authority, Italy

Grants and honors

"Marco Polo Mobility Scholarship", University of Bologna 2022-23
"PhD Scholarship", University of Bologna 2018-23
"Er.Go Scholarship", Regional Authority for the Right to Higher Education 2013-16
"Best laboratory report", Laboratory of Excellence 'Aldini-Ducati' 2012

Relevant IT skills

Advanced: LaTeX, R
Basic: Matlab, Python, MS Excel, Stata, MS Access

Personal

Citizenship: Italian
Gender: Male
Languages: Italian, English
Hobbies: Basketball player, hiking enthusiast

Research papers

The long-run innovation risk component

A persistent component in productivity growth has been shown to be related to a persistent component in consumption, which has significant implications for asset prices. This paper studies a measure of R&D intensity defined as the stationary deviations in R&D investment from the equilibrium level in a semi-endogenous growth model. This measure results being the error correction term of the cointegration between R&D expenditures and the productivity level. The empirical counterpart strongly forecasts productivity growth and proves having a persistence that matches well previous evidence on the productivity growth long-run risk component. These findings support the identification of a long-run innovation risk component and all of the long-run risk framework. This claim is further verified by testing the main financial implication: stocks' cash flows sensitivities to this measure are indeed proven being associated with a significant cross-sectional risk premium.

Does CAPM overestimate more the risk or its price?

CAPM is the most foundational model in finance, but empirically underestimates expected returns of low-risk assets and overestimates those of high risk. This paper first theoretically decomposes this anomaly into the effects of tight financial constraints and of risk factors omission, and then empirically assesses the contribution of each channel in explaining the anomaly. The decomposition highlights a counteracting effect between the two channels, which makes it more relevant to study them jointly. Empirically, it is found that risk factors other than the market and agnostically extracted from test assets end up explaining all of the predicted return of the BAB portfolio as formed by Frazzini and Pedersen (2014) and two thirds of the BAB portfolio formed as in Novy-Marx and Velikov (2022), although the latter is not significantly different from an equal contribution of 50%. Nevertheless, the spread on zero-beta assets originated in leverage constraints proves being significant statistically and economically, at 2% per annum.

Research in progress

Are you betting against sustainability?

When sustainability of assets is appreciated, its effect on discount rates does not only depend on the sustainability of the asset priced, but it is intrinsically mediated by the risk profile of the asset. This has implications for the assessment of the sustainability-related spread and for hedging shocks to sustainability concern. Specifically, (1) long-short portfolios of assets sorted on sustainability can average returns with a sign unrelated to the actual sustainability spread and, consequently, (2) the effectiveness of more sustainable assets in hedging changes to sustainability concerns depends on their 'sustainability intensity' and their risk jointly. Currently, this is tested on the Refinitiv ESG scores for US data, with inconclusive evidence regarding the existence of a ESG-related premium in the first place.