

Fernando Mendo

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REFERENCES

Professor Markus Brunnermeier

Department of Economics
Princeton University
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Professor Nobuhiro Kiyotaki

Department of Economics
Princeton University
(609) 258-4031
kiyotaki@princeton.edu

Professor Mark Aguiar

Department of Economics
Princeton University
(609) 258-8049
maguiar@princeton.edu

AFFILIATIONS

Central Bank of Chile, Economic Research Department

Senior Economist

2019- 2021

World Bank, Peru Country Office (pre-doctorate)

Junior Professional Associate

2011- 2013

EDUCATION

Princeton University

Ph.D. Economics

2019

M.A. Economics

2015

Pontificia Universidad Católica del Perú

Applied Mathematics

2013

Universidad del Pacífico

M. Sc. Economics, *Valedictorian*

2012

B. Sc. Economics, *Valedictorian*

2010

RESEARCH FIELDS

Primary fields: Financial Economics, Macroeconomics, Finance.

Secondary fields: Monetary Economics, Banking, International Economics.

PAPER FOR RECRUITMENT SEMINAR

Rational Sentiments and Financial Frictions (with Paymon Khorrami)

We provide a complete analysis of previously undocumented sunspot equilibria in a canonical dynamic economy with imperfect risk sharing. Methodologically, we employ stochastic stability theory to establish existence of this broad class of sunspot equilibria. Economically, self-fulfilling fluctuations are characterized by uncertainty shocks: changing beliefs about volatility trigger asset trades, which impacts productive efficiency and justifies the degree of uncertainty. We show how rational sentiment helps resolve two puzzles in the macro-finance literature: (i) financial crises emerge suddenly, featuring (quantitatively) hard-to-explain volatility spikes and asset-price declines; (ii) asset-price booms, with below-average risk premia, predict busts and financial crises.

Risky low-volatility environments and the stability paradox

Can low risk be risky? In this macro-financial model, smooth business-cycle-frequency fluctuations may disguise vulnerability to panics. Self-fulfilled panics trigger collapses in asset prices and output. When moderately capitalized, the financial sector uses debt to shield allocation efficiency from real shocks, smoothing business-cycle-frequency fluctuations and supporting high asset prices. However, an indebted financial sector, coupled with high asset prices, fuels the exposure to panics: these low-volatility environments are, indeed, risky. A stability paradox emerges: more stable fundamentals lead to a less stable economy, more prone to panics. Importantly, business-cycle-frequency risk, and not the exposure to collapses, drive portfolio allocations.

Fear and Volatility at the Zero Lower Bound (with Paymon Khorrami)

We uncover new sentiment-driven equilibria in a canonical dynamic economy with nominal rigidities. Self-fulfilling fluctuations emerge because output is demand-determined at the zero lower bound. If agents conjecture higher asset price volatility, then wealth, aggregate demand, and hence production all become more sensitive to shocks, justifying the higher price uncertainty. This multiplicity is unrelated to self-fulfilling beliefs about inflation. Optimal discretionary monetary policy does not eliminate self-fulfilling volatility.

Safety Traps in a Global Economy (with Julius Vutz)

We study the consequences of global safe asset shortages over aggregate economic activity. The model features two countries: Home and Foreign. Home has more developed financial markets and a lower share of risk-averse agents. Foreign's safe asset demand pushes the global economy into a safety trap --a liquidity trap in the market for safe assets-- depressing output in both countries. Under distortionary taxes, safe public debt provision expands output globally but generates wasteful distortions only for the issuing country. Hence, there is a global under-provision of safe public debt. If Home closes down its capital account, it avoids the safety trap but increases its debt service cost and forgoes the net interest income from its international asset position.

WORK IN PROGRESS

Digital currencies, trading platforms, and financial intermediation (with Alejandro Van der Ghote)**Credit Lines and Uncertainty Shocks** (with Paper Alonso Villacorta)**Network Embeddings for Macroeconomics: the Effect of Credit Guarantees** (with Cristhian Seminario-Amez)**Rational sentiments and financial frictions: policy implications for DSGE models** (with Luis Yezpez)RESEARCH EXPERIENCE

Research Assistant for Saki Bigio, Columbia University	2014
Research Assistant for Juan F. Castro, Universidad del Pacífico	2009-2011
Research Assistant for Gustavo Yamada, Universidad del Pacífico	2009-2011

TEACHING EXPERIENCE (as teaching assistant)

Princeton University

ECO315 Topics in Macroeconomics (Nobuhiro Kiyotaki)	2018
ECO467 Institutional Finance (Stephan Luck)	2017, 2018
ECO301 Macroeconomics (Iqbal Zaidi)	2016, 2017
ECO525 Financial Economics (Markus Brunnermeier)	2015
ECO353 International Monetary Economics (Mark Aguiar)	2015

Universidad del Pacífico

Graduate Microeconomic Theory (Guillermo Díaz)	2011
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Econometric Theory II (Carlos Casas)	2011
Macroeconomic Theory I (Juan F. Castro)	2010, 2011
Mathematics III (Antonio Ortiz)	2010
Economics of Education and Labor (Gustavo Yamada)	2010
Econometric Theory I (Juan F. Castro)	2009, 2010
Microeconomic Theory II (Giovanna Priale)	2008

HONORS, AWARDS AND FELLOWSHIPS

Macro Financial Modeling Dissertation Fellowship, Becker Friedman Institute	2018
Griswold Center for Economic Policy Studies Fellowship, Princeton University	2018-2019
International Economics Section Summer Fellowship, Princeton University	2016
Princeton University Graduate Fellowship	2013-2018
Universidad del Pacífico Graduate Fellowship	2010-2012
Beta Gamma Sigma (Business Honor Society)	2013
Valedictorian, Highest GPA ever recorded (1st/64 graduates since 2006), Special Robert Maes Award.	
Graduate Program in Economics, Universidad del Pacífico.	2012
Valedictorian, Highest GPA ever recorded (1st/2,535 graduates since 1962), Special Robert Maes Award, Robert Maes Award. Undergraduate Program, Universidad del Pacífico.	2010
Dean's Honor List, Universidad del Pacífico.	2006-2009
Best Freshman Award (1st/475), Universidad del Pacífico.	2006

PROFESSIONAL ACTIVITIES

SEMINARS AND CONFERENCES

2018: Macro Financial Modeling Summer Meeting, Civitas Foundation Finance Seminar (Princeton University), Chicago Booth Asset Pricing Conference (poster), Finance Lunch Seminar (Princeton University), Macro and International Macro Student Workshop (Princeton University).

2019: Kellogg School of Management (Northwestern University), Robert H. Smith School of Business (University of Maryland), University of Rochester, Universidad Los Andes, Universidad de Chile, Banco Central de Chile, Fourth International Workshop in Financial Econometrics (poster), Latin American Meeting of the Econometric Society (LACEA-LAMES), Banco de Mexico 3rd Conference on Financial Stability, RIDGE Financial Stability Workshop, 7th Paris Financial Management Conference, III Santiago Macroeconomics Workshop.

2020: World Congress Econometric Society, Imperial College Business School (internal seminar)*, International Conference on Computing in Economics and Finance (CEF)**, Financial Intermediation Research Society (FIRS) Workshop.**

2021: University of Southern California*, Macro-Finance Society workshop*, European Finance Association meetings, the virtual Junior European Finance series*, Imperial College*, LACEA LAMES, Central Bank Macroeconomic Modelling Workshop, Meeting of Central Bank Researchers Network, the Central Bank of Chile.

*Presented by co-author, ** Postponed or canceled due to COVID.

DISCUSSIONS

1. *The Real Response to Uncertainty Shocks: the Risk Premium Channel* by Lorenzo Bretscher, Alex Hsu and Andrea Tamoni, Santiago Finance Workshop, 2019
2. *How Do Banks Respond to NPLs?* by Brunella Bruno and Immacolata Marino, Paris Financial Management Conference, 2019
3. *Leaning Against the Wind: An Empirical Cost-Benefit Analysis* by Luis Brandao, Gaston Gelos, Machiko Narita, and Erlend Nier, CEBRA Annual Meeting, 2020.

4. *Treasury Debt and the Pricing of Short-Term Assets* by Quentin Vandeweyer, CESifo Area Conference on Macro, Money, and International Finance, 2020.
5. *A Macro-Finance model with Realistic Crisis Dynamics* by Goutham Gopalakrishna, CESifo Area Conference on Macro, Money, and International Finance, 2021.
6. *Securitization in the Mortgage Market under General Equilibrium* by Salomon Garcia, XXVI Meeting of the Central Bank Researchers Network, 2021.

INVITED SUMMER SESSIONS

MFM Summer Session for Young Scholars, Becker Friedman Institute (2016, 2018), Yale Summer School in Behavioral Finance, Yale University (2015), Capital Markets Research Workshop, MIT Sloan School of Management (2015).

MISCELLANEOUS

Languages: English (fluent), Spanish (native).

Citizenship: Peru.