

Joao Paulo Valente

Address: Department of Economics
Yale University
New Haven, CT 06520-8268

Telephone: +1 (203) 676-9227

E-mail: joaopaulo.valente@yale.edu

Web page: <https://joaopvalente.github.io/website/>

Citizenship: Brazilian (J1 Visa)

Fields of Concentration:

Primary Field(s): Asset Pricing, Behavioral Finance

Secondary Field(s): International Finance

Comprehensive Examinations Completed:

2019 (Oral): Finance and Macroeconomics

2018(Written): Macroeconomics and Microeconomics

Dissertation Title: *Essays in Behavioral Finance and Asset Pricing*

Committee:

Professor Nicholas Barberis (Chair)

Professor Stefano Giglio

Professor Zhen Huo

Expected Completion Date: May 2022

Degrees:

Ph.D., Economics, Yale University, 2022 (expected)

M.Phil., Economics, Yale University, 2020

M.A., Economics, Yale University, 2019

M.A., Economics, Graduate School of Economics (FGV), 2013

B.A., Economics, Federal University of Vicosa, 2010

Fellowships, Honors and Awards:

Whitebox Advisors Fellowship, Yale International Center for Finance - 2019

Doctoral Fellowship, Yale University - 2017-2022.

CAPES Fellowship for Master's Program in Economics - 2011-2012.

Teaching Experience:

Fall 2019, Teaching Assistant to Prof. Samuel Kortun, Introduction to Macroeconomics (Undergraduate), Yale College.

Spring 2020, Teaching Assistant to Prof. Giuseppe Moscarini, Intermediate Macroeconomics (Undergraduate), Yale College.

Spring 2020, Teaching Assistant to Prof. Michael Pascutti, Market Inefficiencies and the Limits of Arbitrage (Undergraduate), Yale College.

Fall 2020, Teaching Assistant to Prof. Aleh Tsyvinski, Introduction to Macroeconomics (Undergraduate), Yale College.

Research and Work Experience:

Summer 2021, Morgan Stanley, Quantitative Researcher (Summer Associate, Alphawise)

2013-2016, Bahia Asset Management, Macroeconomic Analyst.

Working Papers:

“The Role of Beliefs in Asset Prices: Evidence from Exchange Rates” with Kaushik Vasudevan and Tianhao Wu, (September 2021), Job Market Paper.

“Tail Risk Exposures of Hedge Funds: Evidence From Unique Brazilian Data” with Caio Almeida and Marcelo Fernandes, (June 2019), WP Series.

Work in Progress

“Macro Matters for Currencies Returns” with Leland Bybee and Leandro Gomes, (September 2021).

Seminar and Conference Presentations:

North American Summer Meeting of the Econometric Society, Philadelphia (June 2016)

Languages:

Portuguese (native), English (fluent), Spanish (beginner).

References:

Prof. Nicholas C. Barberis
Yale University
Yale SOM
New Haven, CT 06520
PO Box 208200
Phone: 203-436-0777
nick.barberis@yale.edu

Prof. Stefano Giglio
Yale University
Yale SOM
New Haven, CT 06520
PO Box 208200
Phone: 203-432-3373
stefano.giglio@yale.edu

Prof. Zhen Huo
Yale University
Department of Economics
New Haven, CT 06520
PO Box 208268
Phone: 203-432-9598
zhen.huo@yale.edu

Dissertation Abstract

Essays in Behavioral Finance and Asset Pricing

This dissertation consists of three self-contained essays studying asset prices movements. The first essay investigates the impact of beliefs on exchange rates movements. Motivated by the evidence of systematic forecast errors by market participants and professional forecasters, we construct an exchange rate determination model with two frictions. (1) each investor receives noisy private signals about the future path of interest rate differentials between the U.S. and other countries, and (2) they overestimate the persistence of interest rate differentials. The model can explain the failure of UIP found in the data and other regularities of exchange rate returns, highlighting the importance of investors' beliefs to exchange rate behavior.

The second assesses the consequences of beliefs imperfections on stocks' prices. We show that a model where investors have heterogeneous and imperfect beliefs is consistent with the survey data on stock's fundamental and can account for several stock price puzzles in the literature.

The last essay proposes a conditional factor model for currency returns where the risk exposure evolves with the country's macroeconomic environment. We use Instrumented Principal Component Analysis (IPCA) to estimate the common risk structure of currencies and disentangle which macro characteristics are relevant for the cross-section of currency returns. The model is successful in explaining both realized variation in returns and differences in average returns across currencies. Estimated risk factors are correlated with the Dollar and Carry factors, but they still bring new information to the description of common risks. Interest rate level, the importance of the U.S. on a country's trade, GDP per capita, and commodities' share on exports are the most relevant macro variables for explaining the loadings of currencies on these risk factors.'

The Role of Beliefs in Asset Prices: Evidence from Exchange Rates, with Kaushik Vasudevan and Tianhao Wu [Job Market Paper]

Motivated by evidence of systematic forecast errors by market participants and professional forecasters, we construct a model of exchange rate determination where investors each (1) receive noisy private signals about the future path of interest rate differentials between the US and other countries and (2) overestimate the persistence of interest rate differentials. Our model is able to explain the forward premium puzzle, a well-known failure of the uncovered interest rate parity condition implied by traditional models (UIP), in a manner consistent with the survey evidence, in addition to a number of additional puzzles that existing models have struggled to simultaneously explain. These include the initial underreaction and delayed overreaction of currencies in response to monetary news; positive short-horizon and negative long-horizon autocorrelations of currency excess returns; and the lower return predictability of interest rate differentials for UIP trades implemented with longer maturity bonds. Our model is also useful for understanding the strong relationship between survey-based measures of macroeconomic news and exchange rates despite the weak relationship between macroeconomic fundamentals and exchange rates, the persistence of subjective beliefs, and the seeming reversal of the failure of UIP in recent years. Our results highlight the important role that investors' beliefs may play in exchange rate behavior.