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Leonardo Elias

Contact Information

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Education

Ph.D. in Financial Economics,	MIT Sloan	(expected) 2021
M.Sc. in Economics,	LSE	2013
B.Sc. in Economics,	MIT	2012

Fields

International Finance, Macroeconomics, Corporate Finance.

Job Market Paper

Capital Flows and the Real Effects of Corporate Rollover Risk (draft coming soon)
How do shocks to international capital flows get transmitted to the real economy? In this paper I exploit plausibly exogenous variation in firms' exposure to rollover risk to identify a causal channel. Using a panel of firms across a large number of countries, I show that firms with higher exposure -as measured by the share of long-term debt maturing over the next year- reduce investment 10 percentage points more than non-exposed firms following sudden stops in capital flows. I also show that the results are persistent -exposed firms have lower investment even 3 years after the shock and that they extend to other firm outcomes, such as employment and total assets. Additionally, I run a number of placebo tests to show that the results are specific to sudden stop episodes: they do not hold in periods without sudden stops, and they hold across sudden stop episodes regardless of whether the sudden stop takes place during large economic contractions.

Research

Long-Run Consumption and Inflation Risks in Stock and Bond Returns
with Fernando Duarte and Marta Szymanowska

We derive a long-run risk model with time-varying inflation non-neutrality and show that it matches a challenging set of moments describing the joint dynamics of stock returns, term structure of nominal bond yields and returns, as well as macroeconomic fundamentals. Furthermore, we match not only more moments than other long-run risk models, but also moments that remained unaddressed in the literature so far, i.e., the volatility of the risk-free rate and of the dividend-price ratio, and the dividend-price ratio ability to predict stock market returns, consumption and dividend growth rates. More importantly, we match this challenging set of moments, while simultaneously holding the risk aversion and elasticity of intertemporal substitution parameters low.

The Corporate Debt-Overhang Channel of Global Credit Cycles (draft coming soon)
There is a global financial cycle in credit markets. Plausibly exogenous capital inflows drive boom-bust credit cycles and, more importantly, also drive cyclical changes in issuer credit quality; as credit booms disproportionately affect credit conditions faced by low-quality firms. I show that deterioration in corporate issuer credit quality is a better predictor of a country's subsequent GDP growth than measures of aggregate corporate credit growth. I uncover a corporate balance sheet channel that helps explain why credit booms predict lower GDP growth. Underperformance of low quality firms that lever up, especially during credit booms, explains a significant part of the growth decline. Low quality firms reduce capital expenditures and employment disproportionately more than good quality firms during a credit bust. The results are consistent with a global credit cycle that 'pushes' capital into countries/firms irrespective of their own investment opportunities and repayment capacity.

Global Factors and the Pricing of Sovereign Risk (draft coming soon)
I study the effects of US Macroeconomic surprises on the pricing of sovereign risk of sixty-six countries in the period 2002-2017 using daily CDS data. I find that positive macroeconomic surprises in the US systematically reduce sovereign spreads consistent with the view that global investors price sovereign risk. However, I find that both the size and the sign of the effect depend on the business cycle in the US. During contractionary periods the positive effect of news is greatly reduced, often erased, and sometimes reversed. I also find evidence of asymmetric and non-linear effects. Moreover, I find that country characteristics such as its credit rating, its debt-to-GDP ratio, and measures of economic integration play a crucial role in determining the country's response to US shocks. I discuss potential transmission mechanisms of sovereign distress to the real economy by studying the cross-sectional response of security prices -corporate CDS spreads and stock returns- to global shocks.

Academic Experience

Research Assistant: Ricardo Caballero	2015 - 2016
Research Assistant: Esther Duflo	2011
Research Assistant: Dave Donaldson	2011 -2012
Research Assistant: Joshua Angrist	2009

Teaching Experience

Futures and Options (Master of Finance, MBAs), MIT Sloan for Deborah Lucas	Spring 2020
Fixed Income Securities (Master of Finance, MBAs), MIT Sloan for Deborah Lucas	Spring 2020
International Capital Markets (Master of Finance, MBAs), MIT Sloan for Jonathan Parker	Spring 2019
Finance Theory (Master of Finance), MIT Sloan for Leonid Kogan and Simon Gervais	Summer 2018
Financial Management (MBA Sloan Fellows), MIT Sloan for Egor Matveyev	Fall 2018

	Financial Management (MBA Sloan Fellows), MIT Sloan for Deborah Lucas and Nittai Bergman	Summer 2017
	Financial Management (MBA Sloan Fellows), MIT Sloan for Xavier Giroud	Summer 2016

Professional Experience

Banco de Chile, Economic Research Division , Visiting Fellow	2018
Inter-American Development Bank, Research Department, Research Fellow	2013-2014
Banco de Mexico, Note Issue Planning and Programming Division , Intern	2009

Other Information

Software Knowledge: Stata, Matlab, Mathematica, R, Python.
Languages: English (Fluent), Spanish (Native), Italian (Intermediate).

Academic References

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