Leonardo Elias

CONTACT INFORMATION

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EDUCATION

Massachusetts Institute of Technology, Cambridge MA
Ph.D. in Financial Economics — 2021

London School of Economics and Political Science, London UK
Master of Science in Economics — 2013

Massachusetts Institute of Technology, Cambridge MA
Bachelor of Science in Economics — 2012

PROFESSIONAL EXPERIENCE

Federal Reserve Bank of New York, NY
Financial Economist, Macrofinance Studies — 2022-present
Financial Economist, Capital Markets Function — 2021-2022

Inter-American Development Bank, Washington, DC
Research Fellow, Research Department — 2013-2014

FIELDS

International Finance, Financial Economics, Macrofinance.

RESEARCH

Capital Flows and the Real Effects of Corporate Rollover Risk
What are the real costs of reversals in international capital flows? In this paper, I exploit plausibly exogenous variation in firms' exposure to rollover risk to identify a causal liquidity channel at play during sudden stop episodes. Using a panel of firms across 39 countries, I show that firms with higher exposure (as measured by the share of long-term debt maturing over the next year) reduce investment ten percentage points more than non-exposed firms following sudden stops in capital flows. The impact is persistent: exposed firms experience lower investment, lower employment and lower assets than non-exposed firms even three years after the initial shock. In robustness tests, I show that the results are specific to sudden stop episodes in that 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.

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
I show that 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 also 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
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.

Presentations

2021: MIT Sloan, Universidad Adolfo Ibañez, New Economic School, Pontificia Univesidad Catolica de Chile, ITAM Business School, Universidad de Los Andes, the Central Bank of Chile, Warwick University Business School, Banco de Portugal, Bologna University, the Federal Reserve Board, the Federal Reserve Bank of New York, IMF's research department.

Academic Experience

Massachusetts Institute of Technology

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

Teaching Experience

Massachusetts Institute of Technology

Teaching Assistant, International Capital Markets — 2021
(Prof. Jonathan Parker, Master of Finance, MBAs, undergrads)

Teaching Assistant, Futures and Options — 2020
(Prof. Deborah Lucas, Master of Finance, MBAs, undergrads)

Teaching Assistant, Fixed Income Securities — 2020
(Prof. Deborah Lucas, Master of Finance, MBAs, undergrads)

Teaching Assistant, International Capital Markets — 2019
(Prof. Jonathan Parker, Master of Finance, MBAs, undergrads)

Teaching Assistant, Finance Theory — 2018
(Prof. Leonid Kogan and Simon Gervais, Master of Finance)

Teaching Assistant, Financial Management — 2018
(Prof. Egor Matveyev, Executive MBA - Sloan Fellows)

Teaching Assistant, Financial Management — 2017
(Prof. Deborah Lucas and Nittai Bergman, Executive MBA - Sloan Fellows)

Teaching Assistant, Financial Management — 2016
(Prof. Xavier Giroud, Executive MBA - Sloan Fellows)

Other Information

Nationality: Argentinian
Languages: English (Fluent), Spanish (Native), Italian (Intermediate).