

Luming Chen

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EDUCATION

University of California, Irvine

Irvine, CA

Ph.D. in Finance, GPA: 4.00/4.00

2021

- Job Market Paper: *Quid Pro Quo*-Liquidity Insurance in US Tri-party Repos
- Dissertation: Fixed Income Market Liquidity: a Mutual Fund Perspective
- Committee: Zheng Sun (Chair), Lu Zheng, David Yang, Jinfei Sheng

Peking University, CCEER

Beijing, China

M.S. in Finance, GPA: 3.90/4.00

2015

- Thesis: “High Saving Rate Puzzle: Evidence from CFPS”

Nankai University

Tianjin, China

B.S. in Economics, GPA: 3.90/4.00

2012

WORKING PAPERS

Quid Pro Quo-Liquidity Insurance in US Tri-party Repos (Job Market Paper)

This paper provides a comprehensive examination of the US Dealer-Fund network, investigating how over-the-counter trading relationships significantly affect short-term interest rate dynamics in the US tri-party repo market. We test the prediction that over-the-counter search friction incentivize dealers to pay a liquidity insurance premium to their relationship money market funds (MMFs). In case of a market wide liquidity shortage, dealers can still obtain funds from their relationship funds at favorable terms, thus effectively smoothing out the negative shock. Specifically, we use the Oct.2016 MMF Reform as a quasi-natural experiment to find relationship funds provide short-term financing at favorable rates and haircuts to linked dealers. We also find the trading relationships are stable over time. In case of a forced drop of relationship funds during the liquidation of Charles Schwab Money Market Sweep Funds, dealers had to bear a higher cost when searching for new partners. These findings imply that relationship significantly impact short-term rates, and relationship bundling might exacerbate the next crisis if MMFs experience fund runs.

Unintended Consequences of the SEC 22E-4 Liquidity Rule

This paper analyze SEC's 22e-4 Liquidity Rule's impact on US bond mutual fund holdings and bond market liquidity. We find the new Liquidity Rule significantly improves the weighted average holding liquidity of bond mutual funds. The new rule also improves average bond market liquidity. However, an unintended consequence is that speculative grade bond market liquidity becomes even worse than before the regulation. We further test the prediction that under the new restriction that illiquid assets cannot go over 15% of fund's AUM, funds' reaching-for-yield behavior and herding behavior will introduce contagious effect to the market in case of a fund liquidation.

WORKING IN PROGRESS

Activist Mutual Fund: Evidence from Voting Data.

We analyze the mutual fund voting data and identified those funds that have an active stance against the board. We found these new “activist” mutual funds earn significant positive alpha from M&A activities.

Are Funds as Safe as They Claim? A Machine Learning Perspective.

We use latest machine learning algorithms to cluster funds into different investing styles. Our machine learned style measure differs from Morningstar Style Box. This new measure provides more information about fund’s risk-return profile, and significantly predicts fund’s future performance.

TEACHING

- **Instructor** for Master of Finance Program Fall 2020
Quantitative BootCamp (MFIN 291): Evaluation 3.86/4.0
- **Head Teaching Assistant** for Prof.David Yang Spring 2016-2020
Investment (MGMT 141): Evaluation 3.85/4.0
- **Head Teaching Assistant** for Prof.Jinfei Sheng Spring 2019-2020
Managerial Finance (FTMBA 209): Evaluation 3.9/4.0
- **Teaching Assistant** for Prof.David Hirshleifer Spring 2018
Behavioral Finance (MFIN 251): Evaluation: 3.86/4.0

SKILLS

- **Python:** data wrangling, Crawlera applications
- **R:** generalized models, quant finance suite
- **L^AT_EX**
- **Stata**

LANGUAGES

- **English:** Proficient
 - GRE 1510, TOEFL 115
- **Mandarin:** Native

PROFESSIONAL EXPERIENCE

Research Affiliates LLC Newport Beach, CA
Alternatives Investment Group,Quantitative Researcher Jun-Sept.2019

- Built machine learning algorithms to research possible investment opportunities in 24 commodity indices, covering Grains, Livestock, Energy, Industrial Metal and Precious Metal.
- Constructed tradable factors based on K-means/Affinity Propagation/Dynamic Time Warping cluster results.
- Implemented modified carry/value/momentum/time-series momentum strategies to further refine the backtests.

China CITIC Beijing, China
Bond Trader April-Aug.2015

- Arbitraged across inter-bank offering market and Shanghai Stock Exchange
- Structured repo contracts and forward contracts, complied with regulations mandated by CBRC
- Built model to forecast SHIBOR based on major commercial bank data

China Banking Regulatory Commission Beijing, China
Research Intern Feb-May.2013

- Provided research support to Act 8 of the CBRC on shadow banking and off-balance-sheet debt asset
- Analyzed risky assets in five largest commercial banks, and reported to CBRC Risk Board

OTHER PROJECTS

See full list of projects on luming-chen.github.io

- Benchmarking Neural Network Models
We apply multilayer perceptron (MLP), long short-term memory (LSTM), text-convolutional neural network (Text-CNN), bidirectional LSTM (Bi-LSTM), and FastText to IMDB data and document their respective performance.
- Clustering Commodity Indices
We apply K-means/Affinity Propagation/Dynamic Time Warping clustering technique to 24 Commodity Indices.

SCHOLARSHIPS AND AWARDS

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|---|------------|
| • Merage School Best TA Award for Teaching Excellence | 2018 –2019 |
| • UC Irvine Fellowship | 2015–2020 |
| • Peking University NSD Fellowship | 2012 –2015 |
| • Nankai University Scholarship | 2009 –2012 |

EXTRACURRICULAR ACTIVITIES

- An advanced skier, an intermediate snowboarder, and an avid squash player