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Education

Ph.D., Finance, Kellogg School of Management, Northwestern University, 2021 (Anticipated)
Dissertation: Passive Ownership and Price Informativeness
Committee: Scott Baker (Co-Chair), Dimitris Papanikolaou (Co-Chair), Ravi Jagannathan, Robert Korajczyk, Alex Chinco (External Member)

B.A., Quantitative Economics, Tufts University, 2013

Job Market Paper

"Passive Ownership and Price Informativeness"

Despite the rapid growth of passive ownership over the past 30 years, there is no consensus on how or why passive ownership affects stock price informativeness. This paper provides a new answer to this question by examining how passive ownership changes investors' incentives to acquire information. I develop a model where passive ownership affects how many investors gather information, and how investors allocate attention between systematic and idiosyncratic risk. The model also links investors' learning decisions to price informativeness through quantities that are readily observable in the data: trading volume, returns and volatility. The model's predictions motivate three new measures of price informativeness, all of which declined on average over the past 30 years. In the cross-section, increases in passive ownership are negatively correlated with price informativeness. To establish causality, I show that price informativeness decreases after quasi-exogenous increases in passive ownership arising from index additions and rebalancing.

Working Papers

"Firm Customer Bases: Churn and Networks" joint with Scott Baker and Brian Baugh

Using consumer transaction data, this paper demonstrates that it is possible to construct accurate pictures of firm revenue, growth, geographic dispersion, and customer base characteristics. We develop two new measures which characterize firms' customer bases: the rate of churn in a firm's customer base and a metric of the pairwise similarity between firms' customer bases. We show that these measures provide important insights into the behavior of both real firm decisions and firm asset prices. Rates of customer churn affect the level and volatility of firm-level investment, markups, and profits. Churn also affects how quickly firms respond to shocks in the value of their growth options (i.e. Tobin's Q). Moreover, high churn firms tended to face steeper declines in consumer spending during the recent COVID-19 outbreak. Similarity between firms' customer bases highlights one under-explored type of predictability among stock returns: we demonstrate that significant alpha can be generated using a trading strategy that exploits our index of customer base similarity across firms.

"Trade Policy Uncertainty and Stock Returns" joint with Marcelo Bianconi and Federico Esposito

A recent literature has documented large real effects of trade policy uncertainty (TPU) on supply chains, employment, and investment, but there is little evidence that investors are compensated for bearing such risk. To quantify the risk premium associated with TPU, we exploit quasi-experimental variation in exposure to TPU arising from Congressional votes to revoke China's preferential tariff treatment between 1990 and 2001. A long-short portfolio designed to isolate exposure to TPU earns a risk-adjusted return of 6% per year. This effect is larger in sectors less protected from globalization, and more reliant on inputs from China. Industries more exposed to trade policy uncertainty also

had a larger drop in stock prices when the uncertainty began, and more volatile returns around key policy dates. Our results are not explained by the effects of policy uncertainty on expected cash-flows, investors' forecast errors, and import competition from China.

"What Triggers National Stock Market Jumps?" joint with Scott Baker, Nicholas Bloom and Steven Davis

We examine newspapers the day after major stock-market jumps to evaluate the proximate cause, geographic source, and clarity of these events from 1900 in the US and 1980 (or earlier) in 13 other countries. We find four main results. First, the United States plays an outsized role in global stock markets, accounting for 35% of jumps outside the US since the 1980s. Second, policy causes a higher share of positive than negative jumps in all countries we examine. Monetary policy and government spending jumps are the most over-represented in positive jumps, suggesting major policy announcements are usually in response to negative shocks. Third, jumps caused by non-policy events (particularly macroeconomic news) lead to higher future volatility, while jumps caused by policy events (particularly monetary policy) reduce future volatility. Finally, the clarity of the cause of stock market jumps has increased substantially since 1900 as news and financial markets have become more transparent. Jump clarity predicts future stock returns volatility: doubling the clarity of a jump reduces future volatility by 68%.

Published Papers

"The Unprecedented Stock Market Reaction to COVID-19 (The Review of Asset Pricing Studies, July 2020)" joint with Scott Baker, Nicholas Bloom, Steven J. Davis, Kyle Kost, and Tasaneeya Viratyosin

No previous infectious disease outbreak, including the Spanish Flu, has impacted the stock market as forcefully as the COVID-19 pandemic. In fact, previous pandemics left only mild traces on the U.S. stock market. We use text-based methods to develop these points with respect to large daily stock market moves back to 1900 and with respect to overall stock market volatility back to 1985. We also evaluate potential explanations for the unprecedented stock market reaction to the COVID-19 pandemic. The evidence we amass suggests that government restrictions on commercial activity and voluntary social distancing, operating with powerful effects in a service-oriented economy, are the main reasons the U.S. stock market reacted so much more forcefully to COVID-19 than to previous pandemics in 1918-19, 1957-58 and 1968.

"Environmental, Social, and Governance Criteria: Why Investors Are Paying Attention (Journal of Investment Management, January 2018)" joint with Ravi Jagannathan and Ashwin Ravikumar

We find that money managers could reduce portfolio risk by incorporating Environmental, Social, and Governance (ESG) criteria into their investment process. ESG-related issues can cause sudden regulatory changes and shifts in consumer tastes, resulting in large asset price swings which leave investors limited time to react. By incorporating ESG criteria in their investment strategy, money managers can tilt their holdings towards firms which are well prepared to deal with these changes, thereby managing exposure to these rare but potentially large risks.

Conferences

As presenter: ASSA (2019), NASMES (2019), ATL China Workshop (2019), SITE (2018)

As discussant: CAED (2020), MFA (2019)

Refereeing

Management Science

Teaching Experience

Lecturer, Northwestern University, Spring 2021

Capital Markets

Teaching Assistant, Northwestern University, 2018-2020

Finance 1

Research Experience

Research Assistant, Federal Reserve Bank of Boston, 2013-2015

References

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