

# Ruicong LI

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## Education

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| <b>Ph.D., Finance</b> , Hong Kong University of Science and Technology   | Expected: 2021 |
| Visiting Scholar, Boston College   | 2018           |
| <b>M.Sc., Economics</b> , Hong Kong University of Science and Technology | 2014           |
| <b>B.Sc., Physics</b> , Renmin University of China                       | 2013           |

## Research Interests

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Empirical Asset Pricing; FinTech (Textual Analysis & Network Analysis).

## Working Papers

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### **Asymmetric News Repetition and the Cross-section of Stock Returns.** (Job Market Paper)

*Presented at: HKUST Finance Brown Bag Seminar 2020*

**Abstract:** This paper studies the implications of disclosure repetitiveness on firm performance, information processing costs, and future stock returns. I propose an entropy-based measure of disclosure repetitiveness – the information redundancy ratio – which is assumption-free with respect to the underlying language models. I then decompose my measure into news redundancy ratio (NRR) and stale-news redundancy ratio (SNR), which allow me to separately analyze managers' disclosure behaviors regarding new and old contents compared to the previous year. In contrast with previous studies, I find that operating performance and filing announcement returns are positively (negatively) correlated with NRR (SRR) and that investors under-react to information in NRR. A portfolio with long (short) positions on high (low) NRR stocks generates value-weighted alphas of 5%-11% per annum. These results are consistent with the notion that managers present good (bad) news with more (less) repetition and repeat stale-news to obfuscate unfavorable information, while investors have difficulty extracting news due to limited attention.

### **A Benchmark for Collateralized Loan Obligations.** (with Redouane ELKAMHI and Yoshio NOZAWA)

*Presented\* at: Australian National University, HKUST, SAIF, University of Melbourne*

(Under review by Journal of Finance)

**Abstract:** We build a benchmark for AAA-rated tranches of Collateralized Loan Obligations (CLOs) using Business Development Companies (BDCs), which hold a diversified portfolio of loans as CLOs do. Unlike CLOs, BDCs are publicly listed, and their share price, equity volatility, and borrowing cost are observable to researchers. Furthermore, BDC's debt is not rated as AAA. Applying a structural credit risk model of Nagel and Purnanandam (2019) to BDCs, we extract market-implied, forward-looking measures of default correlation in the loan portfolio. By comparing the credit spreads on AAA tranches of CLOs with BDC-implied benchmark, we conclude that seemingly large credit spreads on CLO senior tranches after the financial crisis are a fair reflection of the systematic risk of correlated loan defaults.

### **Jumps and Diffusive Variance: A Granular Analysis of Individual Stock Returns.** (with Chu ZHANG and Gang LI)

**Abstract:** Jumps and diffusive changes in stock prices are different ways in which information is reflected in the prices. We use nonparametric methods to decompose returns on individual stocks into jumps and diffusive components. Contrary to the conventional assumption that jump intensity is positively related to diffusive variance, we find little evidence of this pattern in cross-sections and abundant evidence that realized jump intensity and diffusive variance are not correlated or even negatively related. The jump-diffusive beta is found to positively contribute to the volatility smile of

options on individual stocks. We also document a counter-cycle behavior of the realized jump size, which challenges the i.i.d. jump size commonly assumed before. The findings provide useful guidance on modeling option prices.

## Work in Progress

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### Robot Journalism and Stock Return Synchronicity.

**Abstract:** Natural language processing (NLP) and generating (NLG) technologies show an impact on the financial market in recent decades. In 2014, Associated Press (AP) launched a “Robo-journalism” scheme to generate automated financial news articles using data collected from public firms’ announcements. Using generalized difference-in-differences estimators, I find that on the one hand, retail investors’ participation increases, and so does liquidity of the automatically reported stocks. On the other hand, stock prices exhibit higher synchronicity, which indicates that relatively more market-wide and industry level information, rather than firm-specific information, is capitalized into stock prices after the automation. These results are consistent with an attention dilution effect by massively produced robot news, in which investors suffer from more severe attention constraints and exhibit more categorical learning behaviors.

### Attention Network, the Path of Information Spill-over and Cross-momentum.

**The Dynamics of Investments, Payout Policy, and Debt: Evidence from Unexpected Cash Windfalls.**  
(with Kasper NIELSEN and Sudipto DASGUPTA)

## Teaching Experience

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| Tutor, Undergraduate Research Opportunity Program (UG Course)                   | Fall 2020   |
| T.A., Fixed Income Analysis (MSc in Investment Management & Financial Analysis) | Spring 2020 |
| T.A., FinTech Analytics (MSc in Investment Management & Financial Analysis)     | Spring 2019 |
| T.A., Market Structure and Trading (UG Course)                                  | Spring 2019 |
| T.A., Intro to Financial Markets (UG Course)                                    | Spring 2017 |

## Honors and Awards

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| HKUST Overseas Research Awards for PhD Students            | 2018      |
| HKUST Postgraduate Studentship                             | 2015-2020 |
| HKUST M.Sc. Scholarship                                    | 2014      |
| Excellent Graduating Student of Beijing (5%)               | 2013      |
| Meritorious Winner, Mathematical Contest in Modeling (MCM) | 2013      |

## References

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### Prof. Jialin YU

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