Steven M. Fortney

Contact

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Education

Yale University, Yale School of Management
Ph.D. in Financial Economics, 2021
Three Essays on the Financial Contracting of Corporate Debt
Comittee: Gary Gorton (co-chair), Stefano Giglio (co-chair)
and Heather Tookes
Brigham Young Univeristy
B.S. in Mathematics and B.S. in Economics (*Cum Laude*), 2015

Research Fields

Corporate Finance, Financial Contracting, Corporate Debt,
Textual Analysis and Machine Learning

Job Market Paper

"Composition Risk: How Debt Structure Impacts Debt Contracting "

In a subordinated debt setting, the credit risk of a lender depends not only on the value of the defaulting firm but the relative sizes of each creditors' claim. I test if this channel of risk, which I title composition risk, is reflected in creditors' contracts. Using a novel source of data (assembled via a machine learning technique unique to this paper) on the universe of syndicated lending covenants, I perform one of the first apples-to-apples comparisons of the covenant packages of comparable bonds and loans issued by the same firm at about the same time. I document that bank lenders enjoy a significant covenant 'protection premium' and that the composition risk implied by the debt structure of the firm is a strong determinant of the strength of this premium, even after controlling extensively for credit quality. As the size of the senior debt tranche grows to unity, senior bank lenders demand relatively stronger covenant protections while junior bondholders demand relatively higher credit spreads. Using a structural model of subordinated default, I show that this disparity in responses can potentially be explained by the low recovery risk tolerance of bank lenders.

Working Papers

"Cross-debt Refinancings,", with Heather Tookes and Alessio Saretto

"What else is in a Debt Contract? The Importance of Non-covenant Information in Syndicated Lending"

"Following the Money: The effects of SNAP Benefits Changes on the Consumption Habits of SNAP Beneficiaries", with John Morley

"Affirmative Covenants and Information-first Monitoring"

Work Experience

AQR Capital Management (2017-2019)
Economic Consultant, Topic: Machine Learning, Trading Costs
Engineered large datasets of order book data and did feature engineering for ML models. Used deep learning techniques (DNN and LSTM models) to predict implementation costs of trading strategies.

Stanford University Hoover Institution (2014-2015)
Research Assistant, Project Advisor: Ken Judd
Project Topic: Supercomputing, Directed Acyclic Graphs
Used directed acyclic graphs (DAG's) to optimize the solution of parallelizable, N-dimensional recursive algorithms on super-computing clusters.

Awards, Grants and Fellowships	AQR Research Grant for Supercomputing ($45,000), 2017 Yale University Whitebox Research Grant ($8,000), 2015 BYU President's Leadership Council Scholarship, 2014 BYU Student Leadership Scholarship: Executive Director of Clubs, 2013
Professional Experience	Refereeing: Management Science (2x) Conferences Attended: BYU Red Rock (2014), NBER Behavioral Finance (2015, 2017), Berkely Reinforcement Learning Bootcamp (2016), Yale Whitebox Advisors Graduate Student Conference (2017, 2018, 2020), NBER Asset Management (2018), BYU Graduate Student Conference (2018), NYU Five Star (2019), SFS Cavalcade (2019)
Teaching Experience	MGT 544: Investment Management (2016) TA to Prof. Justin Murfin MGT 845: Portfolio Management (2016, 2017) TA to Prof. William Goetzmann MGT 897: Entrepreneurial Finance (2018) TA to Prof. Song Ma MGT 641: Behavioral Finance (2018, 2021) TA to Prof. Nicholas Barberis MGT 542: Speculation and Hedging in Financial Markets (2018, 2019) TA to Prof. Stefano Giglio MGT 947: Capital Markets (2020, 2021) TA to Prof. Gary Gorton MGT 541: Corporate Finance (2020) TA to Prof. Heather Tookes
Programming and Languages	Proficient: Python (keras, koalas, pandas, statsmodels, scikit-learn), LaTeX, Unix script, Regex, Stata. Some experience: Mathematica, R, Git, Lua, Javascript, HTML. English (Fluent) and Spanish (Fluent)
Interests and Activities	Rowing (Yale Graduate Crew, 3 Years), Music (Guitar, 14 Years, Piano, 2 Years), Hiking and Surfing