

# TIM DE SILVA

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## EDUCATION

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2024*	Ph.D. in Finance (* = expected) MASSACHUSETTS INSTITUTE OF TECHNOLOGY, SLOAN SCHOOL OF MANAGEMENT
2021	M.S. in Management MASSACHUSETTS INSTITUTE OF TECHNOLOGY, SLOAN SCHOOL OF MANAGEMENT
2018	B.A. in Financial Economics and Applied Mathematics (Dual Major), <i>magna cum laude</i> CLAREMONT MCKENNA COLLEGE <i>Thesis Supervisor:</i> Fan Yu

## RESEARCH INTERESTS

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Household Finance, Macro-Finance, Asset Pricing, Behavioral Economics, Public Finance

## REFERENCES

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**Jonathan A. Parker** (co-chair)  
Robert C. Merton (1970)  
Professor of Financial Economics  
MIT Sloan School of Management  
(617) 253 7218  
[japarker@mit.edu](mailto:japarker@mit.edu)

**David Thesmar** (co-chair)  
Franco Modigliani  
Professor of Financial Economics  
MIT Sloan School of Management  
(617) 225 9767  
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**Taha Choukhmane**  
Class of 1947 Career Development  
Assistant Professor of Finance  
MIT Sloan School of Management  
(203) 823 8346  
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**Lawrence D.W. Schmidt**  
Victor J. Menezes (1972)  
Assistant Professor of Finance  
MIT Sloan School of Management  
(617) 258 8617  
[ldws@mit.edu](mailto:ldws@mit.edu)

**Eric C. So**  
Professor of Global  
Economics and Finance  
MIT Sloan School of Management  
(617) 253 6470  
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## JOB MARKET PAPER

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### 1. “Balancing Insurance and Incentives in Student Loan Repayment”

**Abstract:** This paper studies the trade-off in government-financed income-contingent loans between providing insurance against income risk and disincentivizing labor supply. Using policy variation and administrative data from the Australian student loan system, I show borrowers adjust their labor supply to reduce repayments on income-contingent loans. These responses are larger among borrowers with high debt balances, who have a lower likelihood of eventual repayment, and among those who are more liquidity-constrained, for whom the repayment reduction is valuable. I estimate a structural model targeting this variation and find the evidence is consistent with a Frisch labor supply elasticity of 0.11 and substantial frictions that limit labor supply adjustment. In the model, a constrained-optimal income-contingent loan generates a welfare gain relative to a 25-year fixed repayment contract equivalent to 1.6% of lifetime consumption with the same fiscal cost. Of this gain, 1.8% comes from improved insurance, and  $-0.2\%$  is from labor supply responses that distort contract structure away from the first-best. These findings suggest that income-contingent repayment disincentivizes labor supply, but the welfare costs of these disincentives are much smaller than the insurance benefits.

## WORKING PAPERS

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2. “Noise in Expectations: Evidence from Analyst Forecasts” with David Thesmar

Revise and Resubmit at the *Review of Financial Studies* (2nd Round)

**Abstract:** Analyst forecasts outperform statistical forecasts in the short run, but underperform in the long run. We develop a framework to decompose these differences in forecasting accuracy into differences in information, forecast bias, and forecast noise. Noise and bias strongly increase with the horizon, while analyst information advantage decreases very fast. Quantitatively, this generates a reversal in the sign of the Coibion and Gorodnichenko (2015) regression coefficient at long horizons, independently of overreaction/underreaction. Finally, we show a parsimonious model with bounded rationality and a noisy cognitive default à la Patton and Timmermann (2010) jointly matches the term structures of noise and bias.

3. “What Drives Investors’ Portfolio Choices? Separating Risk Preferences from Frictions” with Taha Choukhmane

Revise and Resubmit at the *Journal of Finance*

**Abstract:** We study the role of risk preferences and frictions in portfolio choice using variation in 401(k) default investment options. Patterns of active choice in response to different default funds imply that, absent participation frictions, 94% of investors prefer holding stocks, with an equity share of retirement wealth declining with age—patterns markedly different from their observed allocations. We use this quasi-experiment to estimate a lifecycle model and find relative risk aversion of 2, EIS of 0.4, and a \$200 portfolio adjustment cost. Our results suggest low stock-market participation is due to participation frictions rather than non-standard preferences such as loss-aversion.

4. “Losing is Optional: Retail Option Trading and Expected Announcement Volatility” with Eric C. So and Kevin C. Smith

**Abstract:** We document the growth of retail options trading and provide evidence that retail investors are drawn to options by anticipated spikes in volatility. Retail investors purchase options in a concentrated fashion before earnings announcements, particularly those with greater expected abnormal volatility. Comparing across asset markets, we also find retail investors disproportionately trade options over stocks as anticipated announcement volatility increases. In doing so, retail investors display a trio of wealth-depleting behaviors: they overpay for options relative to realized volatility, incur enormous bid-ask spreads, and sluggishly respond to announcements. These translate to retail losses of 5-to-9% on average, and 10-to-14% for high expected volatility announcements.

## WORK IN PROGRESS

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5. “Selective Inattention” with Pierfrancesco Mei

**Abstract:** We study how households form macro expectations around major decisions, such as purchasing a house. Using a comprehensive set of household surveys from the US and Europe, including recently released micro data from the ECB and the European Commission, we analyze households’ attention to macro variables using their (i) forecast errors and (ii) forecast deviations from professional forecasters. We find households’ attention to macro variables significantly improves around big decisions, especially those of lower-income and less-educated households. We conclude by discussing possible implications of this wedge between average and aggregate inattention.

6. “DGP-Agnostic Dynamic Programming via Reinforcement Learning” with Marc de la Barrera
7. “Optimal Default Asset Allocations with Choice Frictions” with Taha Choukhmane

## PUBLICATIONS

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8. “Are Volatility Expectations in Different Countries Interdependent? A Data-Driven Solution to Structural VAR Identification for Implied Equity Volatility Indices” *Undergraduate Economic Review*, Vol. 14(1), 2017.
  - Winner of Claremont McKenna College *Best Senior Thesis in Financial Economics*
9. “Is Google Search Behavior Related to Volatility? Incorporating Google Trends Data into a GARCH Model for Equity Volatility” *Undergraduate Economic Review*, Vol. 13(1), 2016.

## SOFTWARE PACKAGES

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nndp	Dynamic Programming with Neural Networks (joint with Marc de la Barrera) Source code: <a href="#">GitHub</a> , <a href="#">PyPi</a>
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## INDUSTRY EXPERIENCE

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2017	Institutional Equity Derivatives Trading and Research, Morgan Stanley
2016	Quantitative Investment Researcher, Analytic Investors
2016-2018	Director, Claremont Consulting Group
2015-2016	Lead Consultant, Claremont Consulting Group

## RESEARCH EXPERIENCE

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2022-2024	Visiting Researcher, Australian National University <i>Sponsors:</i> Nicholas Biddle, Andrew Norton
2022-2024	Honorary Appointment, University of Technology Sydney <i>Sponsor:</i> Anna Bedford
2021-2022	Research Assistant for Professor Taha Choukhmane
2020	Research Assistant for Professor Eric C. So
2018-2019	Research Assistant for Professor Eben Lazarus
2016	Research Assistant at the Lowe Institute of Political Economy

## TEACHING EXPERIENCE

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Fall 2022	TA for 15.425: Corporate Finance (MFin) Professor David Thesmar, MIT Sloan Rating: Mean = 5.3/7, Median = 6/7
Spring 2022	TA for 15.453: Finance Lab (MFin) Professors Gita Rao and Bhushan Vartak, MIT Sloan Rating: Mean = 6.7/7, Median = 7/7
Spring 2022	TA for 15.539: PhD Seminar in Empirical Methods (PhD) Professors Eric C. So and Charles C.Y. Wang, MIT Sloan Rating: Mean = 7/7, Median = 7/7
Summer 2020	TA for 15.511: Financial Accounting (Sloan Fellows MBA) Professor Bala Dharan, MIT Sloan Rating: Mean = 6.3/7, Median = 7/7
Summer 2019	TA for 15.511: Financial Accounting (Sloan Fellows MBA) Professor Joe Weber, MIT Sloan Rating: Mean = 5.9/7, Median = 6/7
Spring 2018	TA for ECON101: Intermediate Microeconomics (undergraduate) Professor Saman Olfati, Claremont McKenna College Rating: N/A

## CONFERENCE PRESENTATIONS

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2023	American Finance Association Annual Meeting*
2022	NBER Behavioral Finance Spring Working Group Meeting*, CEPR Seventh European Workshop on Household Finance*, Western Finance Association Meeting, Society for Economic Dynamics Annual Meeting*, European Finance Association Annual Meeting*, Northern Finance Association Annual Meeting*, Texas Finance Festival*, BSE PhD Workshop on Expectations in Macroeconomics, Miami Behavioral Finance Conference*
2021	Transatlantic Doctoral Conference, SoFiE Annual Conference
2020	Stanford GSB Rising Scholars Conference
	(includes scheduled, * = presentation by co-author)

## SEMINAR PRESENTATIONS

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2023	Australian National University, MIT Sloan (x2), MIT Economics, Inter-Finance PhD Seminar
2022	MIT Sloan (x4), MIT Economics, Quantbot Technologies, Inter-Finance PhD Seminar
2021	MIT Sloan (x2) , MIT Economics (x2)
2020	MIT Sloan (x2)
2019	MIT Sloan
	(includes scheduled)

## INVITED PARTICIPATION

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2022	NBER Behavioral Macroeconomics Research Bootcamp (Berkeley Haas), Yale Summer School in Behavioral Finance (Yale SOM), MFR Summer Session for Young Scholars (Chicago), MFR Workshop on the Financial Economics of Insurance (Chicago)
2021	Mitsui Summer School on Structural Estimation in Corporate Finance (Michigan Ross)
2019	Big Data Analytics for Accounting Research (MIT Sloan)

## FELLOWSHIPS, AWARDS, AND GRANTS

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2023	NBER Household Finance Grant, Mark Kritzman and Elizabeth Gorman Finance PhD Research Fund, Stone Finance PhD Fund, Thomas Anthony Pappas Endowed Scholarship Fund
2022	Mark Kritzman and Elizabeth Gorman Research Fund (joint with Taha Choukhmane)
2018-2024	MIT Sloan PhD Fellowship
2018	Phi Beta Kappa, Robert Day School BA Scholar, International Honor Society of Economics (Omicron Delta Epsilon), Best Senior in Economics, Best Senior Thesis in Financial Economics, Dean's List (Top 15%)
2016	Best Sophomore in Economics, Athletic Director's Honor Roll
2015	Athletic Director's Honor Roll

## PROFESSIONAL ACTIVITIES

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Referee	<i>Quarterly Journal of Economics, Review of Economics and Statistics, Management Science, Journal of Financial Econometrics, Journal of Accounting and Economics</i>
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## SKILLS

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Software	PYTHON, FORTRAN, OPENMP, MPI, GIT, BASH, SLURM, R, SAS, STATA, BLOOMBERG TERMINAL, GOOGLE ANALYTICS, <del>TEX</del> $\text{\LaTeX}$
Languages	English (native), Spanish (beginner)

## OTHER ACTIVITIES

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Auto Racing	<i>Team USA Scholarship</i> Nominee (2015), <i>Team USA Scholarship</i> Finalist (2016), 5x Formula 2000 Track Record Holder (2016-2017), Pacific F2000 Pro Series Champion (2016), <i>Mazda Road to Indy \$250,000 Shootout</i> Competitor (2016), <i>Motorsports Magazine</i> Silverstone Classic Driver of the Weekend (2022)
Golf	Ocean League Conference Individual Champion (2012, 2014), NCAA Division III National Team Champion (2016)

## PERSONAL INFORMATION

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Born: June 21st, 1996. Ethnicity: Sri Lankan, White. Citizenship: USA.