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YAOYUAN ZHANG

https://yaoyuanzhang-research.github.io/

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EMPLOYMENT

Lecturer (Assistant Professor) in Finance, The University of Manchester, Alliance Manchester Business School *Aug. 2024 - present*

EDUCATION

The University of Hong Kong *Nov. 2019 - Jul. 2024*
Ph.D in Finance, Faculty of Business and Economics

Visiting student: Washington University in St. Louis *Oct. 2022*
London School of Economics and Political Science *Nov. 2022 - Dec. 2022*

Erasmus University Rotterdam, ERIM, Finance track *Sep. 2017 - Oct. 2019*
Msc in Research Master in Business and Management

Central University of Finance and Economics (CUFE), Beijing
Master of Applied Statistics, School of Statistics and Mathematics *Sep. 2015 - Jul. 2017*
Bachelor of Economics, School of Statistics and Mathematics *Sep. 2011 - Jul. 2015*

RESEARCH INTERESTS

Empirical asset pricing, Corporate bond market, International finance, Macro-finance, Behavioral finance

WORKING PAPERS

Managerial Learning in the Corporate Bond Market (Job Market Paper)

- Presented at *HKU*, *AMBS*, *XMU*, *CUFE*, *XJTLU*, *AFBC 2024 (scheduled)*
- ***Draft available upon request***
- **Abstract:** This study demonstrates that firm managers actively learn from their corporate bond prices when making capital investment decisions. The positive firm investment-bond q sensitivity is particularly pronounced when bonds are more liquid with greater incentives for informed trading. Conversely, the investment-bond q sensitivity shows a negative response to the institutional sell-herding measure, which identifies non-fundamental-based price changes. This corporate bond prices learning channel makes extra contributions alongside the equity learning channel, providing evidence to the argument of the better empirical predictability of bond prices on firms' investment. Notably, the bond learning channels are more significant in the firms of low-rating, high-illiquid, closer to default, and shorter maturity.

Global Evidence on Unspanned Macro Risks in Dynamic Term Structure Model
co-authored with Prof. Dr. Michel van der Wel

- ***Updated version available upon request***

· Presentated at *Erasmus University Rotterdam*, *EEA 2020*, *CICF 2021*, *EcoMod 2021*, *SoFiE 2022**

· **Abstract:** There are mixed results on whether macro risks are spanned by the yield curve. This paper reviews the major arguments and takes a global perspective to obtain comprehensive evidence. We study a large cross-section of 22 countries, including both developed and emerging markets. Our regression evidence confirms that macro information provides explanatory power for bond excess returns on top of yield factors, in fact more so for emerging than for developed countries. This finding is particularly strong in emerging markets. From a mechanical perspective, discriminating between spanned and unspanned models when considering in-sample fit and term premium predictions makes no difference, while Sharpe ratios are more realistic for unspanned models.

Dollar and Carry Redux
co-authored with Dr. Sining Liu, Dr. Thomas Maurer, Dr. Andrea Vedolin

· ***Updated version available upon request***

· Presentated at *AFBC 2022*, HKU*, UNC*, SMU*, NTU*, CICF 2023*, SFS Cavalcade NA 2024, FIRS 2024*, Asian FA 2024**

· **Abstract:** Contrary to existing literature, we establish that two factors, dollar and carry, suffice to explain a large cross-section of currency returns with R2s exceeding 80%. Our paper highlights the importance of accounting for time-variation in conditional moments. Unconditional estimations that ignore this time-variation mistakenly reject the two-factor model. We propose a parsimonious framework to estimate conditional currency factor models and provide testable restrictions. Our findings imply that currency markets are well described by a model in which (i) each country-specific SDF loads on one country-specific—dollar—and one global—carry—shock, and (ii) risk loadings are time-varying. Other risk factors proposed in the literature are useful to describe the time variation in dollar and carry factor risk premia. in conditional moments of DOL and CAR and conditional factor loadings.

Extrapolation of Minimum Daily Returns and Corporate Bond Pricing
co-authored with Prof. Tse-Chun Lin

· ***Updated version available upon request***

· Presentated at *HKU, FMA 2022*

· **Abstract:** We find that the lower the corporate bond minimum daily returns in the previous month, the higher the subsequent month's excess returns in the cross-section. The annualized differences in one-month holding returns between the lowest and the highest minimum daily returns deciles are 6.24% and 6% for equal-weighted and value-weighted portfolios, respectively. This return predictability is stronger when the minimum daily return occurs on days closer to the month-end, suggesting that investors overextrapolate the extremely negative daily returns in corporate bond pricing. The return predictability is robust to controlling for other bond characteristics including, illiquidity, downside risk, idiosyncratic volatility, etc.

Salience Theory and Corporate Bond Pricing
co-authored with Prof. Tse-Chun Lin

· ***Updated version available upon request***

· **Abstract:** We document a novel salience effect in the US corporate bond market. We find that bonds with lower salience theory (ST) value have higher returns in the subsequent month. The annualized differences in one-month holding excess returns between the lowest and highest ST deciles are 3.84% and 4.44% for equal-weighted and value-weighted portfolios. However, the salience effect is only

*presented by coauthors

exhibited in the most salient downside returns. These results indicate that corporate bond investors overweight salient negative returns when forming their expectations of future returns. Consequently, bonds with salient downside returns are undervalued and yield higher returns in the subsequent month.

CONFERENCE PRESENTATIONS

2024:
Australian Finance and Banking Conference (AFBC, scheduled) 2024
Financial Intermediation Research Society (FIRS) 2024*
SFS Cavalcade NA 2024
Asian Finance Association Annual Meeting 2024*
2023:
China International Conference in Finance (CICF) 2023*
2022:
Financial Management Association Annual Meeting (FMA) 2022
Society for Financial Econometrics Annual Conference (SoFiE) 2022*
Australian Finance and Banking Conference (AFBC) 2022*
2021:
China International Conference in Finance (CICF) 2021
International Conference on Economic Modeling and Data Science (EcoMod) 2021
2020:
European Economic Association Annual Meeting (EEA) 2020

CONFERENCE DISSCUSSIONS

2024: China Financial Research Conference (CFRC)

TEACHING

Money, Financial Institutions and Markets 2023
Instructor: Prof. Xuewen Liu *Msc in Finance, Teaching Assistant*

AWARDS AND SCHOLARSHIPS

University Postgraduate Fellowship, HKU, 2019-2023
Postgraduate Scholarship, HKU, 2019-2023
FBE PhD Entrance Scholarship, HKU, 2019
ERIM Research Master Scholarship, Erasmus University Rotterdam, 2017-2018
National Scholarship, 2016
Outstanding graduate, CUFE, 2015

ADDITIONAL INFORMATION

Citizenship	Chinese
Languages	Mandarin(native), English (fluent)
Software	R, Matlab, SAS, Stata, Python, LaTeX

REFERENCES

Yang Liu

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Faculty of Business and Economics
The University of Hong Kong
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Tse-Chun Lin

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Thomas Maurer

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