

Chen Wang | Curriculum Vitae

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Education

Yale School of Management

Ph.D. in Financial Economics

Dissertation Committee:

Nicholas Barberis (Chair), Stefano Giglio and Kelly Shue, Tobias Moskowitz

New Haven, CT

2014–2020

Columbia Business School

M.S. in Financial Economics

New York, NY

2012–2014

Peking University

B.A. in Finance (Honors), Guanghua School of Management

Beijing, China

2008–2012

Research Interests

Asset Pricing, Behavioral Finance

Research

Working Papers.....

○ *Under- and Over-Reaction in Yield Curve Expectations* (2020)

Abstract: I study how professional forecasts of interest rates across maturities respond to new information. I document that forecasts for short-term rates underreact to new information while forecasts for long-term rates overreact. I propose a new explanation based on “autocorrelation averaging,” whereby, due to limited cognitive processing capacity, forecasters’ estimate of the autocorrelation of a given process is biased toward the average autocorrelation of all the processes they observe. Consistent with this view, I show that forecasters *over*-estimate the autocorrelation of the less persistent term premium component of interest rates and *under*-estimate the autocorrelation of the more persistent short rate component. A calibrated model quantitatively matches the documented pattern of misreaction. Finally, I explore the pattern’s implication for asset prices. I show that an overreaction-motivated predictor, the realized forecast error for the 10-year Treasury yield, robustly predicts excess bond returns.

○ *Rediscover Predictability: A Duration-Based Approach* (2019), with Ye Li

Abstract: The prices of dividends at alternative horizons contain critical information on the behavior of aggregate stock market. The ratio between prices of long- and short-term dividends, “price ratio” (pr), predicts annual market return with an out-of-sample R^2 of 19%. pr subsumes the predictive power of traditional price-dividend ratio (pd). After orthogonalized to pr , the residuals of pd strongly predict dividend growth. Using an exponential-affine model, we show a one-to-one mapping between pr and the expected market return when the expectation of future cash flow is transient. Moreover, we find that return predictability is stronger after market downturns, and holds outside the U.S. As an economic test, shocks to pr are priced in the cross-section of stocks, consistent with ICAPM. Our measure of expected return declines during monetary expansions, and varies strongly with the conditions of macroeconomy, financial intermediaries, and sentiment.

- *Delegation Uncertainty* (2019), with Ye Li

Abstract: Delegation bears an intrinsic form of uncertainty. Investors hire asset managers for their superior information, but delegation outcome is uncertain precisely because managers' information is unknown to investors. We model investors' delegation decision as a trade-off between asset return uncertainty and delegation uncertainty. Our theory explains several puzzles on fund performances. It also delivers asset pricing implications supported by our empirical analysis: (1) because investors partially delegate and hedge against delegation uncertainty, CAPM alpha arises; (2) the cross-section dispersion of alpha increases in uncertainty; (3) managers bet on alpha, engaging in factor timing, but factors' alpha is immune to the rise of their arbitrage capital – when investors delegate more, delegation hedging becomes stronger.

- *Positive Feedback Trading and Stock Prices: Evidence from Mutual Funds* (2019), with Cameron Peng

Abstract: We show that mutual funds contribute to cross-sectional momentum and excess volatility through positive feedback trading. Stocks held by positive feedback funds exhibit much stronger momentum, almost doubling the returns from a simple momentum strategy. This "enhanced" momentum is robust to alternative measures of positive feedback trading and cannot be explained by other stock characteristics, ex-post firm fundamentals, fund flows, or herding. Moreover, enhanced momentum is almost fully reversed after one quarter, suggesting initial overshooting and subsequent reversal. We argue the most likely explanation is the price pressure from positive feedback trading. Finally, we relate positive feedback trading to mutual fund performance and show that it can positively predict a fund's return from active management.

Work in Progress.....

- *Mapping out the Macro-Finance State Space without Big Data* (2019), with Hoyong Choi and Ye Li

Conferences and Seminars

2020	Hong Kong University of Science and Technology, Cheung Kong Graduate School of Business, University of Hong Kong, National University of Singapore, Chinese University of Hong Kong, Notre Dame, Michigan Ross, University of Florida, Cornerstone Research
2019	RCFS/RAPS Conference at Baha Mar (×2, one by coauthor), LSE*, USI Lugano*, ASU Sonoran Winter Finance Meeting*, European Winter Finance Summit*, MFA Annual Meeting*, SGF Conference*, CICF*, Stanford SITE*, Yale SOM
2018	Econometric Society (North America Summer), CEPR ESSFM Gerzensee*, Geneva Workshop on Financial Stability in a New Era*, NFA Annual Meeting, UT Dallas Fall Finance Conference, Orebro Workshop on Predicting Asset Returns, CUHK*, HKUST Finance Symposium*, INSEAD*, 16th Paris December Finance Meeting*, University of Zurich*
2017	Yale SOM
2016	LBS Trans-Atlantic Doctoral Conference, Yale SOM

(including scheduled; * indicates presentation by coauthor)

Invited Discussions

- *Index Investing and Asset Pricing under Information Asymmetry and Ambiguity Aversion*, David Hirshleifer, Chong Huang, and Siew Hong Teoh, SFS Cavalcade North America, 2019
- *The Term Structure of Short Selling Costs*, Gregory Weitzner, LBS Trans-Atlantic Doctoral Conference,

2016

Professional Services

- Ad-hoc Referee: *Management Science*
- Conference Organizer: Whitebox Advisors Graduate Student Conference 2019

Honors and Awards

- 16th Paris December Finance Meeting Award for the Best Paper
- Whitebox Advisors Fellowship, Yale International Center for Finance, 2019 and 2020
- Whitebox Research Grant, Yale International Center for Finance, 2018 and 2019
- AFA Doctoral Student Travel Grant, 2019
- Yale University Fellowship, 2014-2019
- Robin Li (Baidu) Scholarship, Peking University, 2010
- International Exchange Student Scholarship, Peking University and York University, 2010
- Academic Excellence Award, Peking University, 2009

Experiences

Teaching and Research.....

Yale School of Management **New Haven, CT**

Teaching Assistant *2015-2020*

- (PhD) Financial Economics II: Asset Pricing Theory (Prof. Alan Moreira)
- (MBA) Behavioral Finance (Prof. Nicholas Barberis)
- (MBA) Corporate Finance × 4 (Professors James Choi, Heather Tookes and Kelly Shue)
- (MBA/Undergraduate) Next China × 2 (Prof. Stephen Roach)
- (MBA/EMBA) Portfolio Management × 3 (Prof. William Goetzmann)

Columbia Business School **New York, NY**

Research Assistant to Prof. Kent Daniel *2013-2014*

Professional.....

Goldman Sachs **New York, NY**

Quantitative Investment Strategy, Global Macro *2013 Summer*

Citigroup Global Markets **Shanghai, China**

Fixed Income & Currencies Trading *2011 Summer*

Invited Participation

- 5th PhD Summer School in Dysfunctional Finance 2014
- MIT Capital Markets Research Workshop 2015
- Princeton Initiative 2015
- Yale Behavioral Finance Summer School 2017
- NBER Summer Institute 2016, 2017, 2018
- NBER Behavioral Finance Meetings

Additional

Programming Languages: Python, R, Matlab, SAS, Stata, Mathematica, Julia, C++

Last Update: February 20, 2020