



# SEVENTH INTERNATIONAL MOSCOW FINANCE CONFERENCE

Hosted by the International College  
of Economics and Finance (ICEF)

International Laboratory  
of Financial Economics (LFE)

Higher School of Economics

Moscow, Shabolovka st. 26, building 3, room 3211  
October 26–27, 2018



**LFE** INTERNATIONAL LABORATORY  
OF FINANCIAL ECONOMICS

# ICEF and LFE

The International College of Economics and Finance (ICEF) was established within The Higher School of Economics in 1997, with the participation of the London School of Economics and Political Science (LSE), University of London (UoL), as well as the support of the Russian business community. Over more than 20 years ICEF has grown from a small College (the first cohort comprised only 13 graduates) into a full-scale academic centre which has been recognized as one of the leaders of economics education both in Russia and abroad.

Today over 1000 students are studying at ICEF taught by more than 70 assistant and associate professors, 30 of whom have successfully completed their PhDs at the leading universities of USA, UK, Germany, France, Spain, Italy, and Belgium. ICEF professors conduct research and publish in the leading international journals, including the top-5 in economics and finance.

ICEF now includes HSE and UoL BSc double-degree programme, (which comprises six specializations in the area of economics and business), the international MSc programme in Financial Economics in collaboration with LSE, and the International Laboratory of Financial Economics.

The International Laboratory of Financial Economics (LFE) was established in 2010 at ICEF, with the participation of the LSE, with the goal of supporting research in Financial Economics at HSE according to the highest international standards.

The core research team consists of Moscow-based researchers, all of whom hold a PhD from European and US universities with an affiliation to ICEF or HSE, as well as international fellows. The Laboratory is headed by Christian Julliard (Research coordinator), Vladimir Sokolov (Head of the Laboratory) and Alexei Boulatov (Research Advisor).

LFE provides research support to the resident researchers and broadens contacts of those researchers with the international academic community. To this end, LFE organizes an annual academic conference on research in economics and finance.



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THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

# SEVENTH INTERNATIONAL MOSCOW FINANCE CONFERENCE

## PROGRAMME

### DAY 1. 26 OCTOBER, FRIDAY

#### 10.00 AM SESSION 1

##### ASSET PRICING EMPIRICAL I

Chair: Vladimir Sokolov (ICEF, HSE)

#### 1.A. Groomed for Selling and Sold for Grooming: Strategic Behavior Surrounding Sales of Mutual-Fund Management Companies

*Eduard Inozemtsev (Gaidar), Zoran Ivković (Michigan State) and Andrei Simonov (Michigan State)*

*Discussant: Miguel Antón (IESE)*

Performance patterns involving funds managed by management companies both to be sold and recently sold suggest their careful strategic management. Intertemporal patterns in cross-subsidization in the year leading to the sale deteriorate the performance of funds from the top of relative rankings ("the stars"). The funds that a year before the sale have been at the bottom of relative rankings ("the dogs") appear to have been at the receiving end of the cross-subsidization. Endogeneity concerns are alleviated by the finding that this pattern is not present in the context of incidental asset management company sales, and is amplified in the context of deliberate asset management company sales. Variation in the extent of active management over time is not at play because it does not vary with the critical variable indicative of cross-subsidization. Allocation of strong stock picks across mutual funds managed by the same management company follow the predicted patterns of cross-subsidization surrounding mutual-fund management company sales. Patterns of cross-subsidization reverse after the sale had been completed. Specifically, stars, having been providing cross-subsidization shortly before the sale, are on the receiving end of cross-subsidization in the period following the sale. Finally, the cross-subsidization results are pronounced only for the star funds highly likely to be delisted shortly after the completion of the management company sale.

#### 1.B. FX Premia Around the Clock

*Elingmar Krohn (Warwick), Philippe Mueller (Warwick) and Paul Whelan (Copenhagen)*

*Discussant: Albert J. Menkveld (VU, Amsterdam)*

We dissect return dynamics in the foreign exchange market into different components over the 24-hour day and revisit well-known trading strategies such as carry and dollar carry. Using twenty-four

years of high-frequency data on G10 currencies we unveil a distinct 'W' intraday pattern of the dollar portfolio. We show that positive average returns for going long foreign currencies are almost entirely generated during U.S. main trading hours. Overnight, currencies collectively depreciate against the U.S. dollar. Further, we document that 75% of the high-minus-low portfolio return from a standard carry trade strategy and almost 80% of dollar carry returns are generated during the day. As the value of the U.S. dollar tends to increase outside of the main U.S. trading hours, both popular strategies generate insignificant positive or negative returns in the overnight period. This new evidence sheds light on our understanding of currency markets and has important implications for future theoretical and empirical work.

#### 11.50 AM COFFEE BREAK

#### 12.10 PM SESSION 2 ASSET PRICING THEORY I

Chair: Udara Peiris (ICEF, HSE)

##### 2.A. Speculative Trading and Derivative Market Imbalances

*Albina Danilova (LSE), Christian Julliard (LSE), Yavor Stoev (Michigan)*

*Discussant: Alexei Boulatov (ICEF, HSE)*

We consider an economy in which some agents do not continuously hedge their position in derivative assets using the underlying assets market – i.e. we study the effects of an imbalanced derivative market. We show that, even in the presence of complete markets, the imbalance significantly alters the equilibrium price process of the underlying assets: risk premia and volatility become stochastically time varying, hence option implied volatility is characterized by smile and smirk patterns, momentum-like price dynamics arise as well as price spillovers across underlying assets. Moreover, the derivative imbalance generates self-fulfilling equilibria, e.g. if the imbalance takes the form of a bet on an increase in asset volatility, then the equilibrium volatility does increase. Finally, since our formulation is extremely general, our results also apply to segmented markets where some investments are achievable only via financial intermediation.

##### 2.B. Asymmetric Information and Security Design under Knightian Uncertainty

*Andrey Malenko (MIT) and Anton Tsoy (EIEF)*

*Discussant: Oren Sussman (Oxford)*

We study optimal security design by an informed issuer when the investor faces Knightian uncertainty about the distribution of cash flows and demands robustness: she evaluates each security by the worst-case distribution at which she could justify it being offered by the issuer. First, we show that both standard outside equity and standard risky debt arise as equilibrium securities. Thus, the model provides a common foundation for two most widespread financial

contracts based on one simple market imperfection, information asymmetry. Second, we show that the equilibrium security differs depending on the degree of uncertainty and on whether private information concerns assets in place or the new project. If private information concerns the new project and uncertainty is sufficiently high, standard equity arises as the unique equilibrium security. When uncertainty is sufficiently small, the equilibrium typically features risky debt. In the intermediate case, both risky debt and standard equity arise in equilibrium. In contrast, if private information concerns assets in place, standard equity is never issued in equilibrium, irrespective of the level of uncertainty, and the equilibrium security is (usually) risky debt.

#### 2.00 PM LUNCH BREAK

#### 3.20 PM SESSION 3 CORPORATE FINANCE EMPIRICAL I

Chair: Sergey Stepanov (ICEF, HSE)

##### 3.A. Innovation, Investment and the Structure of Employment Contracts

*Olga Kuzmina (NES)*

*Discussant: Arkaja Chakraverty (ICEF, HSE)*

We exploit the appealing institutional setting of the Spanish labor market to show that the use of more flexible (shorter and cheaper-to-terminate) contracts with labor increases firm's innovation and investment. We distinguish between different types of innovation (frontier vs non-frontier, internal vs external, domestic vs imported technology) and investment (core vs non-core) to shed light on the mechanism behind the effect. Our evidence is most consistent with flexible labor contracts reducing financial constraints of the firm, rather than investment in human capital or skill complementarity stories. We build the identification strategy on the exogenous inter-temporal and cross-regional variation in government programs, which aimed at an increase in worker job security, and discouraged firms from using the more flexible ("fixed-term") contracts. This setting, akin to a natural experiment, allows us to identify the effects of interest in the instrumental variables framework, also controlling for unobserved heterogeneity.

##### 3.B. Ownership Concentration and Firm's Risk: Evidence from the US

*Silvia Rossetto (Toulouse) and Raffaele Staglianò (Montpellier)*

*Discussant: Pavle Radicevic (NES)*

This paper investigates empirically the link between mid-sized blockholders and firm risk. Controlling for potential endogeneity problems, we find that the presence of multiple blockholders positively affects firm risk. We also find that the stake of the largest blockholder reduces negatively firm risk only when the firm has no other blockholders. Otherwise, the effect is insignificant. Overall our evidence is consistent with theories showing that firms' decisions

are not determined by the largest shareholder alone and highlight the role of mid-sized blockholders. Findings are robust to various model specifications and controls.

**5.10 PM COFFEE BREAK**

**5.30 PM KEYNOTE SPEECH**

**The Stock Market in an Inflation-Targeting Economy**  
*Bernard Dumas (INSEAD and University of Torino) and Marcel Savioz (Swiss National Bank)*

Chair: Alexei Boulatov (ICEF, HSE)

**6.30 PM RECEPTION**

**DAY 2. 27 OCTOBER, SATURDAY**

**10.00 AM SESSION 4.**

**ASSET PRICING EMPIRICAL II**

Chair: Maxim Nikitin (ICEF, HSE)

**4.A. Information Revelation in Decentralized Markets**

*Björn Hagströmer (Stockholm) and Albert J. Menkveld (VU, Amsterdam)*

*Discussant: Dmitry Livdan (UC, Berkeley)*

How does information get revealed in decentralized markets? We test several hypotheses inspired by recent dealer-network theory. To do so we construct an empirical map of information revelation where two dealers are connected based on the synchronicity of their quote changes. The tests, based on EUR/CHF quote data including the 2015 crash, largely support theory: Strongly connected (i.e., central) dealers are more informed. Connections are weaker when there is less to be learned. The crash serves to identify how a network forms when dealers are transitioned from no-learning to learning, i.e., from a fixed to a floating rate.

**4.B. Term structure of risk in expected returns**

*Irina Zviadadze (Stockholm School of Economics)*

*Discussant: Sofya Budanova (ICEF, HSE)*

Return predictability reveals economic variables that drive expected returns. Alternative economic theories relate fluctuations in predictive variables to different sources of risk. I develop an empirical approach that exploits these observations and measures how economically interpretable shocks propagate in the term structure of expected buy-and-hold returns. Shock propagation patterns constitute term structure of risk in expected returns whose shape and level serve as informative moments to test competing equilibrium theories of return predictability. As an application, I examine sources of stock return predictability. I find that equilibrium shocks in the long-run mean of the variance of consumption growth can justify the level and the shape of the term structure of expected stock returns, in contrast to consumption disasters or long-run risk.

**11.50 AM COFFEE BREAK**

**12.10 PM SESSION 5.**

**ASSET PRICING THEORY II**

Chair: Luca Gelsomini (ICEF, HSE)

**5.A. A Welfare Analysis of Segmented Liquidity Markets**

*Alexander Guembel (Toulouse) and Oren Sussman (Oxford)*  
*Discussant: Vincent Fardeau (ICEF, HSE)*

The 2008 financial crisis heightened concerns about contagion across high leverage investors. Some have suggested that segmenting markets into stand alone units may contribute to financial stability and enhance social welfare. We provide a welfare analysis of segmentation policies in a two country model with endogenous financial crises and cross country contagion due to fire sales externalities. We model a continuous shock to liquidity demand in each country, which allows us to distinguish between crises, depending on their severity and endogenize crisis probabilities. We identify a new trade-off created by segmentation decisions. When countries segment, they are protected from contagion when their shocks are mild, but exposed to crisis when shocks are large and access to a neighbor's liquidity is denied. This trade-off reduces welfare. We also show that segmentation only affects crisis probabilities when governments inject public liquidity. Then and only then can segmentation be welfare enhancing. Finally, failure to coordinate policies may lead to excessive segmentation when governments are involved in liquidity injection, but not when liquidity is provided solely privately.

**5.B. Asset Pricing with Fund Competition**

*Sergei Glebkin (INSEAD) and Dmitry Makarov (ICEF, HSE)*  
*Discussant: Andrey Malenko (MIT)*

We develop a dynamic general equilibrium model to study how competition among institutional investors affects the stock market characteristics—level, expected return, and volatility. We consider an economy in which multiple fund managers strategically interact with each other, as each manager tries to increase her performance relative to the others. We fully characterize an equilibrium in this economy, and find that a more intense competition is associated with a higher level of the market, lower expected market return, while market volatility is not affected by competition. These findings are broadly consistent with the data.

**2.00 PM LUNCH BREAK**

**END OF CONFERENCE**

**BUS TOUR**

**CONFERENCE DINNER**

## Keynote speaker



### Bernard Dumas

INSEAD

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*Bernard Dumas is a Professor of Finance at INSEAD. Professor Dumas specialises in international finance and finance theory in continuous time. He is or has been Editor or Associate Editor of various academic journals including the Journal of Finance, The Review of Financial Studies, and the Review of Finance. His research has been published in prestigious journals including American Economic Review, The Journal of Finance, Review of Financial Studies, and many others. Professor Dumas is a Research Associate of the National Bureau of Economic Research and a Research Fellow of the Centre for Economic Policy Research. Professor Dumas received his PhD degree from Columbia University.*



### Alexei Boulatov

ICEF, Higher School of Economics, LFE Research Advisor

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*Alexei Boulatov is a Professor at the International College of Economics and Finance, Higher School of Economics. He holds a PhD in Finance from the University of California, Berkeley. His main areas of interest are Market Microstructure and Informational Economics. Alexei Boulatov has published in the Review of Economic Studies, Review of Financial Studies, Economic Theory.*

## Conference organizers



### Christian Julliard

London School of Economics, LFE Research coordinator

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*Christian Julliard is an Associate Professor of Finance and a Senior Research Associate of the Financial Market Group (FMG) at the London School of Economics. He was awarded a PhD by the Department of Economics at Princeton University. His research interests span Asset Pricing, Applied Econometrics, Market Microstructure. His research has been published in the Journal of Political Economy, Review of Financial Studies, Journal of International Economics.*



### Vladimir Sokolov

ICEF, Higher School of Economics, LFE Head

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*Vladimir Sokolov is an Associate Professor at the International College of Economics and Finance of the Higher School of Economics and Head of the International Laboratory in Financial Economics. He holds a PhD in Economics from the University of Notre Dame. The main research interests of Vladimir are Banking, Empirical Finance, and International Trade. His research has been published in the Review of Finance, Journal of Empirical Finance, Review of International Economics.*

## Presenters and Discussants



### Miguel Antón

*IESE Business School*

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*Miguel Antón is an Associate Professor of Finance at IESE Business School. He has a PhD in Finance from The London School of Economics. Prof. Antón's principal areas of academic and research activity lie in corporate finance, corporate governance, and FinTech. His research appears in leading academic journals including Journal of Finance, Journal of Financial Stability, Journal of Banking and Finance, and Harvard Business Review.*



### Arkaja Chakraverty

*ICEF, Higher School of Economics*

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*Arkaja Chakraverty is an Assistant Professor at the International College of Economics and Finance of the Higher School of Economics. She received her PhD from Indian School of Business. Her area of research interests span Corporate Finance, Product-Market Competition, Labor Economics, Dividend Policies.*



### Sofya Budanova

*ICEF, Higher School of Economics*

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*Sofya Budanova is an Assistant Professor at the International College of Economics and Finance of the Higher School of Economics. She obtained her PhD from Northwestern University. Sofya Budanova's main research interest is Econometrics.*



### Vincent Fardeau

*ICEF, Higher School of Economics*

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*Vincent Fardeau is an Assistant Professor at the International College of Economics and Finance of the Higher School of Economics. He obtained his PhD in Finance from the London School of Economics. His research interests include Asset Pricing with Frictions, Market Microstructure.*





## Luca Gelsomini

*ICEF, Higher School of Economics*

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*Luca Gelsomini is an Assistant Professor at the International College of Economics and Finance of the Higher School of Economics and a Research Fellow at the International Laboratory of Financial Economics. He holds a PhD in Economics from the University of Warwick. His research interests include Financial Economics, Financial Regulation, Financial Accounting, Economics of Information.*



## Olga Kuzmina

*New Economic School*

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*Olga Kuzmina is an Assistant Professor of Finance at the New Economic School. She holds a PhD in Business (Finance and Economics) from the Columbia Business School. Her main research interests are Empirical Corporate Finance, Applied Microeconometrics, International Economics. Olga has published in the American Economic Review, Journal of Comparative Economics, and Journal of Corporate Finance.*



## Alexander Guembel

*University Toulouse 1 Capitole*

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*Alexander Guembel is a Professor of Finance at University Toulouse 1 Capitole. He received his PhD in economics at European University Institute. Alexander's research focuses on a variety of applications of incentive problems in finance and on information aggregation in financial markets. His work has been published in scientific journals, amongst others, the Journal of Finance, Review of Economic Studies, European Economic Review, Games and Economic Behavior, and the Journal of the European Economic Association.*



## Dmitry Livdan

*Haas School of Business, University of California Berkeley*

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*Dmitry Livdan is an Associate Professor of Finance at the Haas School of Business, University of California, Berkeley and Associated Researcher at the International Laboratory of Financial Economics of the Higher School of Economics. He received a PhD in Finance from the Wharton School, University of Pennsylvania, and a PhD in Physics from the City University of New York. His main research interests are Asset Pricing, Informational Economics, and Corporate Finance. His research has been published in the Review of Economic Studies, Journal of Finance, the Review of Financial Studies, the Journal of Financial Economics and the Journal of Financial Markets.*



## Dmitry Makarov

*ICEF, Higher School of Economics*

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*Dmitry Makarov is an Associate Professor of Finance at the International College of Economics and Finance of the Higher School of Economics and Research Fellow at the International Laboratory of Financial Economics. He holds a PhD in Finance from the London Business School. His research interests include Asset Pricing, Portfolio Choice, Money Management, Relative Concerns and Ambiguity Aversion. Dmitry has published in the Journal of Finance, Journal of Financial Economics and Finance Research Letters.*



## Albert J. Menkveld

*VU University Amsterdam*

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*Albert J. Menkveld is a Professor of Finance at VU University Amsterdam and Fellow at the Tinbergen Institute. He received a PhD in Economics from Tinbergen Institute, Erasmus University Rotterdam. Albert's research agenda is focused on Securities Trading, Liquidity, Asset Pricing, and Financial Econometrics. He has published in the Journal of Finance, the Journal of Financial Economics, The Financial Review, Journal of Financial Markets, Journal of Financial and Quantitative Analysis, Journal of Financial Intermediation, and the Journal of Business and Economic Statistics.*



## Andrey Malenko

*MIT Sloan School of Management*

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*Andrey Malenko is an Associate Professor of Finance at the MIT Sloan School of Management. He holds a PhD in finance from Stanford University. Andrey Malenko's current research projects include dynamic delegation, the analysis of strategic initiation of auctions, in particular, takeover contests, and interactions between capital budgeting and organizational design. His work has appeared in leading academic journals, such as the American Economic Review, The Journal of Finance, Journal of Financial Economics, Review of Financial Studies.*



## Philippe Mueller

*Warwick Business School, University of Warwick*

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*Philippe Mueller is a Professor of Finance at Warwick Business School, University of Warwick. He obtained his PhD in Finance and Economics from Columbia University. His research is in the areas of Asset Pricing, Macro-Finance, Financial Econometrics, Fixed Income, Volatility, Monetary Policy, Foreign Exchange, Banking. Philippe Mueller has published in Journal of Finance, Journal of Financial Economics, Review of Finance, Review of Financial Studies.*





## Maxim Nikitin

*ICEF, Higher School of Economics*

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*Maxim Nikitin is a Professor and Deputy Director for research at the International College of Economics and Finance of the Higher School of Economics. He obtained his PhD from University of Pittsburgh. Professor Nikitin's research focuses on Macroeconomics and Law and Economics. Maxim has published in Games and Economic Behavior, Journal of Money, Credit and Banking, Journal of Banking and Finance, Journal of Law, Economics, and Organization, Journal of Economic Behavior and Organization and Canadian Journal of Economics.*



## Udara Peiris

*ICEF, Higher School of Economics*

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*Udara Peiris is an Associate Professor at the International College of Economics and Finance and Centre for Advanced Studies of the Higher School of Economics and Research Fellow at the International Laboratory of Financial Economics. He has a PhD in Financial Economics from the University of Oxford. His main areas of research are Sovereign Debt/Default, Monetary Theory, Macro-prudential Regulation, Financial Stability. Udara Peiris has published in Economic Theory, Journal of Financial Stability, Journal of Mathematical Economics, International Journal of Central Banking, Annals of Finance, Journal of Economic Dynamics and Control, Journal of Applied Statistical Science.*



## Pavle Radicevic

*New Economic School*

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*Pavle Radicevic is an Assistant Professor of Finance at New Economic School. He holds a PhD in Finance from The University of New South Wales, UNSW Business School. Pavle's research focuses on Theoretical and Empirical Corporate Finance: Ownership Structure, Financial Contracting, Corporate Policies, Corporate Governance, Entrepreneurial Finance, Theory of the Firm.*



## Silvia Rossetto

*University Toulouse 1 Capitole*

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*Silvia Rossetto is an Associate Professor in Finance at the University of Toulouse 1 Capitole. She received her PhD in Economics from the University of Amsterdam. Silvia's main research interest is in the field of Corporate Finance with a focus on the relationship between ownership structure and financial decisions. Silvia Rossetto has published her research in Review of Financial Studies, Annals of Finance, Games and Economic Behavior, Journal of Banking and Finance, Journal of Corporate Finance.*



## Andrei Simonov

*Eli Broad College of Business, Michigan State University*

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*Andrei Simonov is a Professor of Finance at Michigan State University. He received PhD in Finance from European Institute of Business Administration (INSEAD). He also holds PhD in Theoretical Physics from Moscow State University. His research interests include Asset Pricing, Individual Portfolio Decision and Behavioral Finance. His publications appear in leading Finance and Management journals including, among others, Journal of Finance, Review of Financial Studies, Journal of Financial Economics, Review of Finance, and Management Science.*



## Sergey Stepanov

*ICEF, Higher School of Economics*

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*Sergey Stepanov is an Assistant Professor at the International College of Economics and Finance and Faculty of Economic Sciences of the Higher School of Economics and Research Fellow at the International Laboratory in Financial Economics. He obtained his PhD in Economics from the Université Libre de Bruxelles. His main areas of interest are Corporate Finance, Economics of Information, Contract Theory, and Microeconomics. Sergey has published in the RAND Journal of Economics, Journal of Banking and Finance, Journal of Institutional and Theoretical Economics, Journal of Economic Behavior & Organization.*



## Oren Sussman

*Saïd Business School, University of Oxford*

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*Oren Sussman is a Reader in Finance at Saïd Business School, University of Oxford. He took his PhD at the Hebrew University of Jerusalem. Oren's areas of expertise include Macroeconomics, International Finance and Financial Distress. Oren Sussman has published among others in The Review of Economic Studies, Annals of Finance, Journal of Financial Intermediation, Review of Finance, European Economic Association, European Economic Review, Journal of Economic Theory, Economics Letters.*



## Irina Zviadadze

*Stockholm School of Economics*

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*Irina Zviadadze is an Assistant Professor of Finance at the Stockholm School of Economics. She has a PhD in Finance from London Business School. Irina's research is focused on understanding the sources of risk premia in the foreign exchange market, understanding properties of the term structures of asset prices, and developing diagnostics methods for macro-based asset pricing models. Irina Zviadadze has published in Journal of Financial and Quantitative Analysis and Journal of Finance.*



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Moscow 2018

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