Jianan Liu

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Contact information

The Wharton School,
University of Pennsylvania,
3620 Locust Walk,
Philadelphia, PA 19104

E-mail: jiananl@wharton.upenn.edu
Phone: +1(614)620-3256

Research Interests

Empirical Asset Pricing, Investments, Institutional Investors, China's Financial Markets

Education

The Wharton School, University of Pennsylvania — 2014–2019 (Expected)
Ph.D. Candidate in Finance

The Ohio State University — 2012–2014
M.S. in Statistics

Shanghai University of Finance and Economics — 2008–2012
B.S. in Statistics

Job Market Paper

Comovement in Arbitrage Limits

Published Papers

Absolving Beta of Volatility's Effects
with Robert F. Stambaugh and Yu Yuan
Journal of Financial Economics, Volume 128, Issue 1, April 2018, p. 1-15

Size and Value in China
with Robert F. Stambaugh and Yu Yuan
Journal of Financial Economics, Forthcoming

Teaching

Teaching Assistant, The Wharton School
Behavioral Finance, Prof. Nikolai Roussanov, 2017–2018
Investment Management, Prof. Robert Stambaugh, 2015–2017

Presentations

2017: Wharton, Mid-Atlantic Research Conference in Finance, Western Finance Association

Fellowships, Honors, and Awards

Rodney L. White Center for Financial Research Grant, Wharton, 2018
Jacobs Levy PhD Fellowship, 2017–2018
Dean's Fellowship for Distinguished Merit, Wharton, 2014–2019

Referee

Economics Letters

Languages

English (fluent), Mandarin (native)

REFERENCES

David Musto
Ronald O. Perelman Professor in Finance
The Wharton School
University of Pennsylvania
Phone: +1(215)898-4239
E-mail: musto@wharton.upenn.edu

Nikolai Roussanov
Moise Y. Safra Associate Professor of Finance
The Wharton School
University of Pennsylvania
Phone: +1(215)746-0004
E-mail: nroussan@wharton.upenn.edu

Robert F. Stambaugh (Chair)
Miller Anderson & Sherrerd Professor of Finance
The Wharton School
University of Pennsylvania
Phone: +1(215)898-5734
E-mail: stambaugh@wharton.upenn.edu

Yu Yuan
Shanghai Mingshi Investment
Phone: +86(186)1667-4666
E-mail: yuanyu@mingshiim.com

ABSTRACTS

Comovement in Arbitrage Limits (Job market paper)

Estimates of mispricing, such as deviations from no-arbitrage relations, strongly comove across five financial markets. One common component—the arbitrage gap—explains the majority of variability in mispricing estimates for futures, Treasury securities, foreign exchange, and options. Prominent equity anomalies also comove significantly with the arbitrage gap. Variables affecting arbitrage capital availability, such as the TED spread and hedge-fund flows and returns, explain two-thirds of the arbitrage gaps variation. During periods of tighter capital constraints, the comovement in mispricings becomes stronger. The findings support theoretical predictions that common sources of funding shocks can cause comovement in mispricings across markets.

Absolving Beta of Volatility's Effects
with Robert F. Stambaugh and Yu Yuan

The beta anomaly negative (positive) alpha on stocks with high (low) beta arises from betas positive correlation with idiosyncratic volatility (IVOL). The relation between IVOL and alpha is positive among underpriced stocks but negative and stronger among overpriced stocks (Stambaugh, Yu, and Yuan, 2015). That stronger negative relation combines with the positive IVOL-beta correlation to produce the beta anomaly. The anomaly is significant only within overpriced stocks and only in periods when the beta-IVOL correlation and the likelihood of overpricing are simultaneously high. Either controlling for IVOL or simply excluding overpriced stocks with high IVOL renders the beta anomaly insignificant.

Size and Value in China
with Robert F. Stambaugh and Yu Yuan

We construct size and value factors in China. The size factor excludes the smallest 30% of firms, which are companies valued significantly as potential shells in reverse mergers that circumvent tight IPO constraints. The value factor is based on the earnings-price ratio, which subsumes the book-to-market ratio in capturing all Chinese value effects. Our three-factor model strongly dominates a model formed by just replicating the Fama and French (1993) procedure in China. Unlike that model, which leaves a 17% annual alpha on the earnings-price factor, our model explains most reported Chinese anomalies, including profitability and volatility anomalies.