Report Type
Mid Term Award Report

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Faculty/Department
Cambridge Endowment for Research in Finance (CERF)

Project Title
Research in Risky Debt and FinTech

Project Start Date
Sep 03, 2017

Project End Date
Aug 31, 2019

Amount Awarded
TBD

Project Abstract
This project studies the risky (defaultable) debt and its implication on the macroeconomy. The 2008 financial crisis has especially highlighted the role of risky debt in the economic dynamics and business cycles. The paper titled "Do Heterogeneous Beliefs and Rare Events Explain The Household Leverage Cycle" studies whether and how much the household optimism can explain the household debt before the financial crisis; the second paper entitled "Why Do Firms Buy Back Their Debt?" discusses the reason why firms buy back their outstanding debt and the effect of debt buyback on the firm's credit risk; the third working paper entitled "Managerial Effects of CoCo Issuance" advances the contingent convertible design when firm equity holders/managers can dynamically change the debt and how managerial incentives are affected. A project on Fintech is under construction.

Activities and Achievement
One paper, titled "Do Heterogeneous Beliefs and Rare Events Explain The Household Leverage Cycle", got revise and resubmit invite from a major journal in the field, Review of Asset Pricing Studies; other papers are either on under review or under revision based on comments from seminars and conferences.

Dissemination
Papers have been presented at multiple major conferences and seminars, including CERF lunch seminar, Cambridge - Lausanne Workshop 2018, 2018 International Conference on Economic Theory and Applications, American Finance Association, Midwest Finance Association, Southwest Finance Association, Lancaster University, CUHK Shenzhen

Outputs

Major Difficulties and Any Other Issues
No. The paper titled "Do Heterogeneous Beliefs and Rare Events Explain The Household Leverage Cycle" got two very detailed and elaborated referee reports. Revision are ongoing based on the comments in the reports.

Web Links
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