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Doctoral Studies

Gies College of Business, University of Illinois Urbana-Champaign 2017-Present

Ph.D. Candidate in Finance

Harvard University Fall 2019-Spring 2020

Visiting Ph.D. Student

National Bureau of Economic Research Fall 2019-Spring 2020

Visiting Ph.D. Student

Research Interests

Market microstructure, corporate finance, financial innovation, big data. Specifically, my research interests are on the impact of financial market structure and innovations on firm decisions.

Working Papers

Direct Listing or IPO? The Anatomy of the Going-Public Market
Conferences: 2021 AFA Ph.D. Student Poster Session, 17th Corporate Finance Day, 2020 Boca Corporate Finance and Governance Conference
Seminars: University of Illinois at Urbana-Champaign (Brownbag), Harvard Business School (Entrepreneurship Ph.D. Seminar)

This paper analyses the impact of direct listing (DL) innovation on firms' going public decisions and the welfare consequences. Theory and evidence from U.S. and U.K. markets show that (i) DL market complements IPO market by catering to late-stage firms. (ii) When adverse selection is severe, imposing certification intermediaries is important in maintaining a well-functioning DL market. (iii) After DL innovation, firms and intermediaries enjoy welfare gains, while public investors may face higher risks. The analyses highlight the severe informational frictions in the going-public market and imply that better-developed private capital and stock trading markets motivate DL innovation.

Reaching for Yield in the Going-Public Market: Evidence from SPACs
With Jessica Bai, Angela Ma
Conference: 2021 WFA (scheduled)
Seminars: Harvard Graduate Finance Workshop, Harvard Macroeconomics Workshop*, Inter-Finance PhD Seminar**

This paper provides a unified explanation for the existence, time-series variation, and recent boom of the Special Purpose Acquisition Company (SPAC). We develop a theoretical framework in which SPAC and IPO markets serve different types of production firms and public investors. SPAC managers act as non-bank certification intermediaries and match yield-seeking investors with value-creating but risky production firms. Reaching for yield in the going-public market contributes to the rise of SPACs. Our model jointly explains several empirical patterns regarding the U.S. SPAC market: (1) Compared to IPO firms, SPAC firms are ex-ante smaller, riskier, but grow at higher or similar rates after going public. (2) SPAC issuance boomed in 2007 prior to the Global Financial Crisis and accelerated from 2015 to 2020. (3) The market share of SPACs is strongly positively correlated with equity market sentiment. Our model implies that a well-functioning SPAC market improves social welfare and stimulates economic growth by allowing creative, risk-taking firms to go public, increasing innovative activity ex-ante. Finally, we highlight the importance of aligning SPAC managers with long-term investors and provide recommendations for an improved SPAC structure.

Price Ceiling, Market Structure, and Payout Policies
With Xiongshi Li, Mao Ye
Conferences: 2019 4th Sydney Market Microstructure Meeting, 2019 3rd SAFE Market Microstructure Meeting, 2019 EFA Annual Meeting, 2019 NFA Annual Meeting, 2019 8th ITAM Finance Conference, 2020 Microstructure Exchange**
Seminars: University of Illinois at Urbana-Champaign (Brownbag), Arrowstreet Capital, Boston College*, Case Western Reserve University*, Cornell University Market Microstructure Ph.D. Seminar*, Emory University*, George Washington University*, Harvard Business School*, University of British Columbia*, University of Hong Kong*, University of Iowa*, University of Maryland**

U.S. public firms encounter price ceilings when they repurchase shares in the open market. We find that market structure reforms dramatically increase share repurchases because these reforms relieve the constraints for firms to compete with other traders at the price ceilings. The 2016 Tick Size Pilot, a controlled experiment that partially reverses previous reforms, significantly reduces share repurchases. Market structure frictions, therefore, provide the first unified interpretation for two puzzles in payout literature. The dividend puzzle exists because research has overlooked market structure frictions. Share repurchases increase relative to dividends over decades because market structure reforms gradually reduce these frictions.

Financial Regulation, Clientele Segmentation, and Stock Exchange Order Types
With Sida Li, Mao Ye
Conferences: 2021 AFA, 2021 Future of Financial Information conference (Scheduled), 2020 Microstructure Online Seminars Asia Pacific*, 2020 University of Kentucky Finance Conference (cancelled due to Covid-19 outbreak), 2020 5th Sydney Market Microstructure Meeting (postponed due to Covid-19 outbreak)*
Seminars: Louisiana State University, Rutgers University*, New York Stock Exchange*, University of Illinois at Urbana-Champaign (Brownbag)**

Financial regulations and clientele segmentation explain the proliferation of order types on stock exchanges. Plain market and limit orders lose money, indicating that informed traders use complex orders. Fifty-seven percent of trading volume comes from non-routable orders, which are designed to bypass Reg NMS. Because Reg NMS routes orders based on the best gross prices, it often routes orders to worse net prices after adjusting for fees. Non-routable orders win speed races to capture short-term profits, but all order

types containing long-term information are routable. An order type that complies with share repurchase regulations earns a 30-day return of 7%.

The Tick Size and Stock Price Informativeness: Evidence from Investment–*q* Sensitivity
With Mao Ye, Wei Zhu
*Conferences: 2019 Santiago Finance Workshop**
Seminars: University of Illinois at Urbana-Champaign (Brownbag), University of Washington**

We study the effects of the tick size on stock price informativeness about future investment. Using the Tick Size Pilot Program as a controlled experiment, we find that an increase in the tick size increases the strength of Tobin's *q* (a standardized measure of prices) to predict future investment. The increase in investment–*q* sensitivity is concentrated in firms that experience a reduction in the magnitude of market reactions to earnings announcements, an increase of EDGAR downloading volume, or a reduction in algorithmic trading. These findings suggest that a wider tick size increases the acquisition of information on firm fundamentals and consequently price informativeness about future investment decisions. The investment–*q* sensitivity also increases more when managers have stronger incentives to learn from stock prices, suggesting that some of the added information with a wider tick size is new to managers and therefore has a real effect on corporate investments.

**: presented by co-author*

Presentations

November 2020	2020 Boca Corporate Finance and Governance Conference (online)
September 2020	17th Corporate Finance Day (online)
September 2020	University of Illinois at Urbana-Champaign (Brownbag) (online)
April 2020	Harvard Business School (Entrepreneurship Ph.D. Seminar) (online)
September 2019	Northern Finance Association Annual Conference (Vancouver)
August 2019	European Finance Association Annual Conference (Lisbon)
August 2019	3rd SAFE Market Microstructure Meeting (Goethe University Frankfurt)
April 2019	4th Sydney Market Microstructure Meeting
October 2018	University of Illinois at Urbana-Champaign (Brownbag)

Honors and Awards

2020 Zwisler Fellowship, University of Illinois

2019 Conference Travel Grants, University of Illinois

2017-2018 Graduate Fellowship, University of Illinois