

**WEILING LIU**

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**HARVARD UNIVERSITY**

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**Office Contact Information**

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**Undergraduate Studies:**

B.A. in Economics and Statistics, University of Chicago, Honors, 2012

**Graduate Studies:**

Harvard University, 2014 to present  
Ph.D. Candidate in Business Economics  
Thesis Title: “*Essays on Financial Intermediaries and Market Frictions*”  
Expected Completion Date: June 2019

**References:**

Professor John Campbell Harvard University (617) 496-6448, john_campbell@harvard.edu	Professor Robin Greenwood Harvard Business School (617) 495-6979, rgreenwood@hbs.edu
Professor Lauren Cohen Harvard Business School (617) 495-3888, lcohen@hbs.edu	Professor Adi Sunderam Harvard Business School (617) 495-6644, asunderam@hbs.edu

**Teaching and Research Fields:**

Primary fields: Asset Pricing, Financial Intermediation  
Secondary fields: Financial Regulation

**Research Experience and Other Employment:**

2017	Harvard University, Research Assistant to Professor Guhan Subramanian
2016-2017	Harvard University/Columbia University, Research Assistant to Professor Luis Viceira and Professor Enrichetta Ravina
2012-2014	Federal Reserve Bank of New York, Research Analyst

**Honors, Scholarships, and Fellowships:**

2018	CSWEP Summer Economics Fellowship
2018	Certificate of Distinction and Excellence in Teaching
2014-present	Harvard Business School Doctoral Fellowship
2013, 2014	Federal Reserve Bank of NY Performance Excellence Award
2012	University of Chicago Undergraduate Thesis Award

**Teaching Experience:**

Spring 2017, 2018      Big Data (Sophomore Tutorial), Harvard University, Main Instructor

**Job Market Paper:**

“The Shadow Price of Intermediary Constraints” (with Chris Anderson)

Limits to the risk-taking activity of financial intermediaries are important for understanding market stability as well as asset prices, yet they remain difficult to pin down. We propose a novel measure of intermediary risk constraints called the interdealer broker (IDB) ratio, which is the percent of total trade volume conducted between dealers using an IDB. Theoretically, when aggregate risk constraints tighten, dealers will use IDBs more in order to redistribute idiosyncratic risk. Empirically, we test our measure in the U.S. Treasury market, and we find that the IDB ratio has a 72% correlation with dealers' interest rate Value-at-Risk. Consistent with a story of risk premia, a one standard deviation increase in the IDB ratio forecasts a 1.8 percentage point higher annual excess return on a five-year bond. This return predictability holds across different fixed income classes, over varying maturities, as well as out-of-sample.

**Working Papers:**

“Regulatory Frictions and Pricing in Long Term Care Insurance” (with Jessica Liu)

Despite sharply rising prices, the number of companies choosing to operate in the private Long Term Care insurance (LTCI) has dropped from over 100 to roughly 30 today. This paper analyzes how product mispricing and regulators' stringency jointly affected insurer dropout in the LTCI market. Using novel data on LTCI pricing and heterogeneous timing of regulators' election cycles across states, we show that regulators' political climate significantly affected price changes in the LTCI market. When insurers face larger political frictions, they have lower profits and are more likely to reduce supply of insurance in the future. Lastly, we develop and estimate an infinite-horizon dynamic model of insurance company and regulator interactions. Using the model, we demonstrate how both insurer supply and social welfare may be decreasing in regulator stringency when cost shocks are large and asymmetric information exists.

“Intraday Pricing and Liquidity Effects of U.S. Treasury Auctions” (with Michael Fleming)

We examine the intraday effects of U.S. Treasury auctions on the pricing and liquidity of the most recently issued 2-, 5-, and 10-year notes. We find that prices decrease in the hours preceding auction and recover in the hours following auction, a pattern not observed on non-auction days. The magnitude of the price changes is positively correlated with bid-ask spreads, price impact, price volatility, dispersion of yields around the yield curve, and other measures of financial stress. We further find that liquidity tends to be better in the hours before an auction, albeit worse at auction time and thereafter, and that liquidity costs loom large in any strategy that seeks to exploit the pattern of intraday price changes. Our results provide high frequency evidence of Treasury supply shocks leading to price pressure effects and show dealers' limited risk-bearing capacity helps explain such effects.

**Publications:**

Liu, Weiling, and Emanuel Moench. "What Predicts US Recessions?" *International Journal of Forecasting* 32.4 (2016): 1138-1150.

We reassess the in- and out-of-sample predictability of US recessions at horizons of three months to two years ahead for a large number of previously proposed leading indicator variables, using the Treasury term spread as a benchmark. We estimate both univariate and multivariate probit models, and evaluate the relative model performance based on the receiver operating characteristic (ROC) curve. At the three- and six-month-ahead horizons, various alternative predictor variables increase the accuracy of recession forecasts significantly relative to the term spread, with the annual return on the S&P500 index providing the strongest improvement. While the Treasury term spread is more difficult to outperform systematically at longer horizons, manufacturers' new orders of capital goods and balances in Broker-Dealer margin accounts increase the precision of recession predictions significantly at horizons of more than one year.