

# ZHOU FAN

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## EDUCATION

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### **Cornell University**

*2016 - 2022 (Expected)*

Ph.D. in Economics

Committee: Andrew Karolyi (Chair), Eswar Prasad, Matthew Baron

M.A. in Economics (*2020*)

### **Renmin University of China**

*2011 - 2016*

M.A. in Economics

B.S. in Economics (*with Honors*)

B.S. in Mathematics (*Minor*)

## RESEARCH INTERESTS

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International Finance, with a focus on:

Institutional investors, Banking, Financial Crises and Foreign Exchange in multi-country settings.

## WORKING PAPERS

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### **Credit Cycles and Asset Price Bubbles** (*Job Market Paper*)

(*with Matthew Baron and Jamil Rahman*)

By analyzing 43 economies over 1870-2016, we find evidence that large credit expansions interacted with price run-ups, have strong forecasting power for negative future returns. The mean cumulative excess return is -22.1% for the housing market over 6 years, and -15.4% for the stock market over 3 years. Growth stocks, stocks with high levels of analyst disagreement, and highly leveraged stocks are particularly vulnerable to the bust, with their respective factor portfolios significantly underperforming compared to their unconditional means. We show that by avoiding stocks with extreme exposures to the credit cycle, investors can partially mitigate the risks induced by a credit-fueled stock market boom.

*Presentations:* Macro Lunch, Economics Department, Cornell University (*Oct 2020*); Graduate Student Workshop, Economics Department, Cornell University (*Sep 2020*)

### **Currency Comovement, Gravity and Bilateral Linkage**

Gravity variables capture country level differences in exposure to global shocks. Currencies of countries which are geographically distant and culturally different have larger differences in exposure to global shocks and as such comove less. The explanatory power of gravity for currency comovement is also present in trade flows and financial linkages. Predicted values of trade flows and foreign debt holdings contain around 80% of the explanatory power of gravity variables for currency comovement.

*Presentations:* Third Year Paper Seminar, Economics Department, Cornell University (*Sep 2018*)

## **A Helicopter Drop of Institutional Investors and Stock Liquidity**

Using the launch of the Shenzhen-Hong Kong Stock Connect Program (SZ-HK Connect), I examine the effects that an increase in institutional trading has on the liquidity of eligible stocks listed on the Shenzhen Stock Exchange. The difference-in-difference approach finds that an increase in institutional trading improves liquidity measured by quoted spreads and proportional spreads, though it is only significant at the 10% level. Conditioning on a stock being eligible however, the intensity of trading activity through the SZHKConnect is not significantly correlated with stock liquidity. Overall, I find that there is weak evidence that an increase in institutional trading is associated with stock liquidity.

## **The Impact of Trade Facilitation on Global Agricultural Trade and its Implications for China** (*In Chinese*)

(with Yue Fang and Xiande Li)

This paper studies the impact of global trade facilitation on trade flows and its heterogeneity across agricultural and non-agricultural goods. By combining global bilateral trade data at the HS2 product level from 2007 to 2016 with the World Economic Forum Global Trade Facilitation index, we construct a strongly balanced panel dataset with 11.5 million observations. After adjusting trade cost variables using the multilateral resistance method, we run Poisson maximum likelihood regressions and find: Across all industries, a 1% increase in trade facilitation in importing (exporting) countries leads to a 0.8% (1.3%) increase in trade. Among the sub index factors measuring trade facilitation, improvements in border management and infrastructure promotes trade, while improvements in business environment hinders trade. For agricultural goods, the improvement of trade facilitation for importers has a larger impact in promoting trade compared to exporters. Based on national economic development, border management has a neglectable effect in promoting trade between low-income countries, while infrastructure and business environment indicators only play a significant role in the promotion of trade between low-income countries. Compared with developed countries, developing countries benefit more from improvements in trade facilitation. If the trade facilitation level of all countries below the world average level were raised to the average, world trade would increase by \$482.3 billion, or around 3.4% of total global trade.

*Presentations:* Outstanding paper award, 2021 Academic Seminar of Chinese Association of Agricultural Economics (*Oct 2021*)

## **WORKS IN PROGRESS**

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### **Institutional Trading During Credit-Fueled Stock Market Booms and Busts**

An emerging literature shows that credit booms and rapid asset price growth jointly predict a high probability of a market crash event and significant negative expected returns. Relatively little is known about how investors behave during these predictable market crashes. This paper is the first to study institutional investor trading during these events in a multi-country and multi-event setting spanning 40 economies from 1999-2018. Constructing a rich dataset with over 100 million observations, I ask three questions: first, how do institutional investors change their portfolio allocation to a country experiencing a credit-fueled stock market boom? Second, do different types of institutional investors apply heterogeneous strategies? Third, how do institutional investors change their portfolio within a given country?

*Presentations:* Macro Lunch, Economics Department, Cornell University (*Sep 2021*); Job Market Candidate Seminar, Economics Department, Cornell University (*Oct 2021*)

## **The U.S. Bank Listing Glut**

*(with Andrew Karolyi)*

The benefit to cost trade off involved in banks listing decision could differ significantly compared to non-financial firms. In this paper, we study how the number of public banks in the U.S. evolves over time, and contrast it with trends in 41 other countries. This is important because a growing literature shows that small (big) banks disproportionately make loans to small (big) firms.

## **The Economic Consequences of Capital Market Regulations: Evidence from the Holding Foreign Companies Accountable Act of 2020**

*(with Andrew Karolyi)*

Tougher capital market regulations can impede expanded capital market integration and can foster more segmentation of markets. There can also be important consequences for liquidity, especially in the competition for order flow and trading between two competing markets. We assess the economic consequences of capital market regulation in the context of the Holding Foreign Companies Accountable Act, cross-listed firms and the bonding hypothesis.

## **TEACHING EXPERIENCE**

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### **Teaching Assistant and Section Teacher**

Econ 1120: Introduction to Macroeconomics (Cornell University, undergraduate)

Spring 2020, TA rating: 4.96/5; Spring 2019, TA rating: 4.63/5; Spring 2018, TA rating: 5/5.

Econ 1110: Introduction to Microeconomics (Cornell University, undergraduate)

Fall 2021, ongoing; Fall 2019, TA rating: 4.49/5; Fall 2017, TA rating: 3.87/5.

### **Teaching Assistant and Informal Section Teacher**

Econ 4220: Financial Economics (Cornell University, undergraduate)

Fall 2018.

*\* Average rating for intro economics courses is 3.88/5; all economics courses is 4.06/5*

## **FELLOWSHIPS, AWARDS AND SERVICE**

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### **Qualifying Exam, Field of Finance, Cornell University**

Taken and successfully passed, Jan 2021

### **The Anindya (Bappu) Majumder '98 Memorial Prize for Excellence in Teaching**

2019 - 2020

### **Sage Graduate Fellowship**

2016 - 2017 Academic Year; 2017, 2018, 2019, 2020 Summer; 2020 - 2021 Academic Year

### **Field of Economics Mentorship Program, Cornell University**

Mentor, 2018 - 2019

### **Graduate and Professional Student Assembly, Cornell University**

Economics Department Representative, 2017 - 2018

### **Qualifying Exam, Field of Economics, Cornell University**

Taken and successfully passed, June 2017

### **National Scholarship Award for Academic Performance, Renmin University of China**

2012 - 2013

**Cultural and Sports First Grade Award, Renmin University of China**  
School of Economics basketball team captain, 2012 - 2013

## TRANSLATED TEXTBOOKS

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**Mathematics for Economics, Third Edition**

*By Hoy, Livernois, McKenna, Rees and Stengos*

Chinese version, *China Renmin University Press*, Translator

**The Handbook of Fixed Income Securities, Eighth Edition**

*Edited by Fabozzi and Mann*

Chinese version, *China Renmin University Press*, Translator

## SKILLS

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**Programming**

STATA, LaTeX

**Languages**

English (Native), Chinese (Native)

## PERSONAL

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**Family**

Married, no children

**Citizenship**

China

## REFERENCES

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**Andrew Karolyi (Chair)**

Harold Bierman, Jr. Distinguished Professor of Management

Samuel Curtis Johnson Graduate School of Management

Cornell University

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**Eswar Prasad**

Nandlal P. Tolani Senior Professor of Trade Policy & Professor of Economics

Dyson School of Applied Economics and Management

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**Matthew Baron**

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