Botao Wu

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Education

2016 - Present **Stern School of Business, New York University**
Ph.D. Candidate in Finance

2014 - 2015 **The University of Chicago**
M.S. in Statistics

2010 - 2014 **The University of Chicago**
B.A. in Economics (Honors); B.S. in Mathematics; B.A. in Statistics

Research Interests

Market Liquidity, Asset Pricing, Macro-Finance

Working Papers

Increasing Corporate Bond Liquidity Premium and Post-Crisis Regulations (***Job Market Paper***)
Semifinalist for the 2021 FMA Best Paper Award in Market Microstructure

Pre-FOMC Information Asymmetry, with Farshid Abdi

ECB Monetary Policy Transmission During Normal and Negative Interest Rate Periods, with Falk Bräuning

Teaching Experience

Summer 2021	Teaching Fellow, Foundations of Finance (MBA/EMBA)
Spring 2021	Teaching Fellow, Foundations of Finance (MBA/Undergraduate)
Autumn 2020	Teaching Fellow, Investments (EMBA)
Autumn 2020	Teaching Fellow, Foundations of Finance (MBA)
Summer 2020	Teaching Fellow, Foundations of Finance (MBA)
Spring 2020	Teaching Fellow, Finance Theory IV: Continuous Time Finance (Ph.D.)
Summer 2019	Instructor, Foundations of Finance (Undergraduate)
Autumn 2018	Teaching Fellow, Finance Theory I (Ph.D.)

Work Experience

2015 - 2016 **Federal Reserve Bank of Boston**
Research Assistant

PRESENTATIONS

2021	Colorado Finance Summit Job Market Session (*scheduled*)
	Australian Finance & Banking Conference (AFBC) Ph.D. Forum (*scheduled*)
	FMA Main Conference and Special Ph.D. Paper Presentation
	ASSA/IBEFA
	Swiss Society for Financial Market Research (SGF)
	European Retail Investment Conference (ERIC) Doctoral Consortium
	International Conference of the French Finance Association
2020	UT Austin Ph.D. Student Symposium on Financial Market Research and Policy Development
	LBS Transatlantic Doctoral Conference (*cancelled due to COVID*)
	AFA Ph.D. Poster Session
2017	IBEFA Summer Meeting

REFEREE ACTIVITY

Journal of Financial Services Research

HONORS AND AWARD

2021	FMA Best Paper Award Semifinalist
2021	Colorado Finance Summit Student Travel Grant
2016 - 2022	NYU Stern Doctoral Fellowship
2020 - 2021	Edwin and Diane Elton Fellowship, NYU Stern
2017	Pass with Distinction in the Qualifying Exam in Macroeconomics, NYU
2014	Becker Friedman Institute Award for Academic Achievement, Chicago

REFERENCES

Professor Anthony Lynch (Chair)
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Professor Viral Acharya
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Professor Robert Engle
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ABSTRACTS

Increasing Corporate Bond Liquidity Premium and Post-Crisis Regulations

(*Job Market Paper*)

I employ the liquidity premium measure to understand the important changes in corporate bond market liquidity from 2004 to 2019. I show that while commonly-used transaction cost measures such as the bid-ask spread have been declining, the corporate bond liquidity premium has actually increased since the financial crisis. For speculative bonds, about 30% of their yield spread now compensates for illiquidity compared to 15% before the crisis. I demonstrate that this increasing liquidity premium is due to investors facing longer trading delays as dealers have become less willing to provide immediacy, and develop a structural over-the-counter model to estimate the latent trading delays implied by the size of the liquidity premium. The estimation results suggest that bonds that took less than one day to sell before the financial crisis now take weeks to trade. Finally, I establish a causal relationship between the major post-crisis regulations and the variations in the corporate bond liquidity premium to uncover the potential cause of dealers' unwillingness to provide liquidity. I show that Basel II.5, by introducing the stressed value-at-risk and incremental risk charges for credit products, contributed the most to increasing the liquidity premium out of all regulatory changes examined. The longer trading delays and the impact of regulations are consistent with practitioners' descriptions of the post-crisis market and corroborate the relevance of using the liquidity premium to understand corporate bond market liquidity.

Pre-FOMC Information Asymmetry, with Farshid Abdi

We uncover informed trading on the days before federal open market committee (FOMC) announcements. We show that this informed trading can explain the pre-FOMC announcement drift in the stock market, by contributing to the resolution of uncertainty before announcement. We document three distinct novel evidences supporting this. First, we show that U.S. corporate bond yield changes in the blackout period before FOMC announcements can predict monetary policy surprises, with about 30% R-squared. Second, and consistent with informed trading, we show that corporate bond customers tend to buy before upcoming expansionary FOMC surprises and sell before contractionary FOMC surprises. Finally, we uncover pre-FOMC information flow from corporate bond to the stock market by showing that (a) corporate bond yield changes Granger-cause stock market pre-FOMC movements, and (b) lagged corporate bond customer-dealer trade imbalances can explain pre-FOMC stock market returns, and the pre-announcement drift.

ECB Monetary Policy Transmission During Normal and Negative Interest Rate Periods, with Falk Bräuning

We analyze the ECB monetary policy transmission from 2009--2016, including changes during the negative interest rate policy (NIRP). We identify three dimensions of ECB monetary policy related to changes in (i) the short-term target rate; (ii) the expected future path of the target rate (forward guidance factor); and (iii) long-term interest rates (term factor). We find that surprise shocks about the short-term rate and the future path of the short-term rate have strong effects on interbank lending rates and government bond yields. Moreover, expansionary monetary policy surprises related to the term factor decrease government bond yields across all maturities, with strongest effects on medium- and long-term maturities. During the NIRP period we find that prices of riskier assets---such as longer-term assets, sovereign bonds from crisis countries, or stocks---exhibit a significantly stronger reaction to monetary policy shocks. Moreover, we find that during the NIRP period expansionary target rate shocks strongly increase the origination of new bank loans to businesses and households, in particular for loans with longer maturities and for loans in crisis countries.