Yizhou Xiao

Contact Information

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Academic Experience

The Chinese University of Hong Kong

2016-present Assistant Professor of Finance

Education

Stanford University, The Graduate School of Business

2016 Ph.D. in Finance

Committee: Paul Pfleiderer, Peter Demarzo, Bradyn Breon-Drish, Timothy James McQuade

Peking University, China Center of Economic Research

2010 M.S. in Economics

Advisor: Ho-Mou Wu

Renmin University of China, School of Finance

2007 B.A. in Finance

Research Interests

Asymmetric Information and Asset Pricing; Entrepreneurial Finance

Awards and Distinctions

2016	Cubist Systematic Strategies/PhD Candidate Awards for Outstanding Research (WFA)
2010-2015	Stanford Graduate School of Business Fellowship
2013-2014	George P. Shultz Scholar, Stanford Institute for Economic Policy Research
2007-2009	Guanghua Prize
2007	Graduate Merit Awards (Top 1%)

Research

Working Papers

Informed Trading and Intertemporal Substitution: The Limits of the No-Trade Theorem

-Cubist Systematic Strategies/PhD Candidate Awards for Outstanding Research (WFA)

-International Conference on Game Theory 2015, SFS Cavalcade 2016, FIRS 2016, WFA 2016

I examine the conditions for the no-trade theorem to hold in multiperiod consumption settings and show it no longer holds in many reasonable scenarios. In situations where agents have different concerns for intertemporal substitution, information-based trade can be mutually acceptable because it enables agents to readjust their consumption profiles based on future consumption shocks. Agents with private information may trade strategically, resulting in the suboptimal outcome. Quantitative analysis demonstrates that information based trading related to intertemporal consumption smoothing can explain a significant part of the trading volume observed in financial markets.

Collateral Constraints, Access to Debt Financing and Firm Growth

-11th World Congress of the Econometric Society 2015

This paper studies how a firm's growth is affected by the evolution of its external debt financing environment. Asymmetric information about the qualities of projects the firm can undertake makes external financing costly. Collateral can mitigate this problem, but its availability is limited by the size of the firm. As a firm grows, more collateral becomes available, broadening the firm's access to external debt financing channels and lowering its cost of capital. The firm's growth decision is affected by how effective additional collateral can be in lowering its cost of capital and the amount of assets it needs to accumulate to broaden its access to potential lending channels. A small firm may optimally choose to stay small when it is financially constrained and far from the size necessary to have access to formal lending. When the size of a small firm approaches the level needed to have access to formal lending there arises a strong incentive to expand, making the firm locally risk loving. The framework I study also raises some questions about the frequent use of a firm's growth rate as an empirical proxy for firm value. I show that a high growth rate is not necessarily associated with high firm value.

Teaching and Research Assistantships

2014	Finance for Non-MBAs, TA to Prof. Joy Ishii
2012-2014	Finance for Non-MBAs, TA to Prof. Anat Admati
2013	Financial Market I (Ph.D. Level), TA to Prof. Bradyn Breon-Drish
2012	Accelerated Corporate Finance, TA to Prof. Jeffrey Zwiebel
2009	Topics in Econometrics (Ph.D. Level), TA to Prof. Han Hong
2009	Game Theory (Undergraduate Level), TA to Prof. Ho-Mou Wu
2008-2009	Financial Economics (Ph.D. Level), TA to Prof. Henry Cao
2013	RA to Prof. Bradyn Breon-Drish