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AREAS OF INTEREST

Investments (Asset Pricing, Portfolio Theory, Financial Time-Series Analysis)

EDUCATION

Michigan State University

Ph.D. in Finance **2004 - 2007**

Graduation Date May 2007
Passed Comprehensive Exam in Finance May 2005

ABD in Economics **2001 - 2004**

Passed Field Exam in Econometrics May 2003
Passed Comprehensive Exam in Economics May 2002

Western Michigan University

M.A. in Economics **2001**

Novosibirsk State Academy of Economics and Management, Russia

B.A. Honors in Economics **1999**

AWARDS

- Phi Kappa Phi, National Honor Society **2004**
- Outstanding Graduate Student E. Harik Award, Western Michigan University **2000**
- National Merit Fellowship, Novosibirsk State Academy of Economics and Management **1995 – 1999**

TEACHING AND RESEARCH EXPERIENCE

Instructor

Michigan State University

FI 312 Introduction to Investments 2007
FI 312 Introduction to Investments 2006
FI 311 Financial Management 2005
FI 320 Introduction to Finance 2004
EC 302 Intermediate Macroeconomics 2003
EC 201 Introduction to Microeconomics 2002

Graduate Assistant

Michigan State University

Department of Finance 2004 - 2007
Department of Economics 2001 - 2004

Western Michigan University

Department of Economics 1999 - 2001

PROFESSIONAL AFFILIATIONS

American Finance Association
Financial Management Association

PROFESSIONAL ACTIVITIES

- Referee, European Journal of Finance
- Referee, Journal of Empirical Finance

WORKING PAPERS

- **Structure of Idiosyncratic Risk: An Insight into Market Model Error (Job Market Paper)**

This paper proposes an explanation of the observed empirical patterns in the average idiosyncratic volatility initially documented by Campbell et al. (2001). In particular we show that idiosyncratic volatility is driven (at least in part) by market value concentration. In a more concentrated market, it is easier to forecast movements in the aggregate market index, and hence, the relative usefulness of analysis that relate individual stock price movements to aggregate market movements (i.e., Market Model) is greater. Investors will therefore place greater emphasis on such analysis in more concentrated markets, which will exhibit less idiosyncratic volatility than markets in which value weights are more closely centered around 1/n. Our empirical analysis suggests that the two variables are cointegrated and that a larger dispersion of market capitalization weights results in higher idiosyncratic volatility.

- **Cross-Section of Trends in Firm-Specific Risk**

This paper provides a firm-by-firm estimation of trends in idiosyncratic volatility. By doing so we can identify the following sources that contribute to the trend in the market average idiosyncratic risk (Campbell et al. (2001)): new issues, delistings, and existing firms with positive, negative, or no volatility trends. This identification is crucial because the relative importance of each source has drastically different investment implications. Unlike the current literature, we show that many firms experience positive or negative volatility trends, and their dynamic combination leads to increases or decreases in the market average idiosyncratic risk. Our approach of firm-by-firm estimation of trends further allows us to pinpoint the factors that are behind the fluctuations in idiosyncratic risk and examine the relative importance of existing interpretations including (1) firm fundamentals (Wei and Zhang (2003) and Irvine and Pontiff (2005)), (2) institutional ownership (Malkiel and Xu (2003)), and (3) speculative trading (Brandt et al. (2005)).

- **On Causality of the Relationship between Institutional Ownership and Idiosyncratic Risk**

The finance literature continues to explore reasons of the observed trend in average idiosyncratic volatility in the U.S. market. Several authors proposed that growing institutional ownership share can explain the idiosyncratic risk puzzle (Malkiel and Xu (2003), Dennis and Strickland (2005)). We argue that the causality in this relationship runs in the opposite direction, i.e., changes in idiosyncratic risk induce changes in institutional ownership. Our assertion is consistent with Merton's (1987) limited information model, which predicts that investors hold (part of) idiosyncratic volatility in their portfolios. Provided that institutions have better abilities to diversify than non-institutional investors, companies with growing idiosyncratic risk are under pressure to increase their share of institutional ownership. Therefore, the observed trend in average idiosyncratic volatility in U.S. financial market can be a reason of increasing institutional ownership share. Our causality tests using the VECM specification support this hypothesis.

REFERENCES

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