Qi Shang

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Education

2006 -	**London School of Economics and Political Sciences, U.K.**
	PhD in Finance (Expected completion date: June 2012)
	M.Phil. in Finance
2005 - 2006	**University of Manchester, U.K.**
	MSc in Finance and Economics
2001 - 2005	**Tsinghua University, China**
	Bachelor in Economics

Research Interests

Primary Field: Asset Pricing under Market Frictions, Limited Arbitrage.
Secondary Field: Delegated Portfolio Management, Mutual Fund Strategies.

Working Papers

"Limited Arbitrage Analysis of CDS Basis Trading" (Job Market Paper)

"Institutional Asset Pricing with Heterogeneous Belief"
Co-authored with Shiyang Huang, Zhigang Qiu and Ke Tang

"General Equilibrium Analysis of Portfolio Benchmarking"

Honors and Scholarships

2010 - 2012	LSE Research Studentship Scheme, LSE
2006 - 2010	PhD in Finance Scholarship, LSE
2006	Grades ranked 1st in MSc courses, University of Manchester
2005	Best Undergraduate Thesis Prize, Tsinghua University

Desired Teaching

Core Finance courses (undergraduate, graduate, MBA, executive); Asset Pricing Theory; Capital Markets; Derivatives; Financial Economics; Investments; Portfolio Management.

Teaching Experience and Relevant Employment

2009 - 2012	FM300 Corporate Finance, Investments, and Financial Markets (undergraduate)
	Class teacher for Dr Michela Verardo and Dr Jack Favilukis
2007 - 2009	FM212 Principles of Finance (undergraduate)
	Class teacher for Prof. Gregory Connor and Prof. Christopher Polk
2011 - 2012	FM423 Assets Markets (postgraduate)
	Teaching assistant for Prof. Mikhail Chernov and Prof. Kathy Yuan
2007 - 2012	FM429/430 Asset Markets and Corporate Finance (postgraduate)
	Teaching assistant for Prof. Dimitri Vayanos and Prof. Kathy Yuan
Summer 2011	Applied Research Group, Fidelity International, London, U.K.
	Research intern, completed projects in style investment risk management.
	The research products have already been implemented by the company.

References

Prof. Dimitri Vayanos (Main Advisor)
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Prof. Christopher Polk
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Placement Contacts

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Placement Administrator: Ms. Mary Comben	m.comben@lse.ac.uk	+44 20 7955 7739

Research Abstracts

"Limited Arbitrage Analysis of CDS Basis Trading", Job Market Paper

By modeling time-varying funding costs and demand pressure as the limits to arbitrage, the paper shows that assets with identical cash-flows have not only different expected returns, but also different expected returns in excess of funding costs. I solve the model in closed-form to show that arbitrage on the CDS and corporate bond market is risky regardless of the degree of price discrepancy. The profitability and risk of this arbitrage, which is called CDS-basis trading, are increasing in market friction levels and assets' maturities. High levels of market frictions also destruct the positive predictability of credit spread term structure on credit spread changes. Empirical results support model predictions. CDS-basis trading is exposed to systematic risk factors, while TED spread squared times adjusted corporate bond trading volume predicts abnormal CDS-basis trading return in the latter half of 2008.

"Institutional Asset Pricing with Heterogeneous Belief", Working Paper
Co-authored with Shiyang Huang, Zhigang Qiu and Ke Tang.

We propose an equilibrium asset pricing model in which institutional investors with heterogeneous beliefs care about their relative performance. We find that relative performance has two effects on the agents. First, it leads agents to trade more similarly, which effectively decreases the difference of opinions. Second, it decreases the impact of dominant agent in the extreme economy which effectively increases the difference of opinions. When the first effect is dominant, the volatility is lower with relative performance than that without relative performance. When the economy is extremely good or bad, the second effect is dominant, the volatility is higher. Moreover, the stock price, Sharpe ratio and the counter-cyclical effect are all affected by the relative performance in the equilibrium.

"General Equilibrium Analysis of Portfolio Benchmarking", Working Paper

This paper models a continuous-time economy consisting one normal agent and one constrained agent who has portfolio benchmarking concerns. The constrained agent has to keep intermediate wealth above a stochastic benchmark whose value is determined endogenously. The equilibrium is solved in closed-form. In this benchmarking economy before the constraint date, if the benchmark is very risky, asset price, volatility and risk premium are higher than those in the normal economy without constrained agents. When the benchmark is relatively safe, asset price is higher but volatility, risk premium and the optimal fraction of wealth invested in the risky asset decreases.

"Measures of Stock Fragility and Crowded Trades", Research in Progress

In my industry research projects, I construct a number of empirical proxies to measure crowded trades by financial institutions and study their impact on quantitative investment strategy performance. Inputs of these proxies include analysts' revisions data and stock trading volume data. Decomposing trading volume into systematic part and idiosyncratic part provides additional information that identifies fragile stocks, reduces quantitative strategy volatility and improves performance. I intend to strengthen the robustness of results with more comprehensive data sets and derive theoretical foundations for my findings.

Presentations

Nov 2011	PhD in Finance Seminar, FMG, LSE
August 2011	Applied Research Group Meeting, Fidelity International
May 2011	PhD in Finance Seminar, FMG, LSE
June 2010	PhD in Finance Seminar, FMG, LSE
October 2008	PhD in Finance Seminar, FMG, LSE