Chase P. Ross

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CONTACT INFORMATION

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EDUCATION

Yale University

Ph.D., Financial Economics	Expected May 2021
M.Phil., Financial Economics	2019
M.A., Financial Economics	2019
B.A., Economics	2014

RESEARCH FIELDS

Asset Pricing, Macrofinance, Financial Intermediation, Financial Crises

REFERENCES

Gary B. Gorton (Co-Chair)
Yale University
gary.gorton@yale.edu

Andrew Metrick (Co-Chair)
Yale University
andrew.metrick@yale.edu

William B. English
Yale University
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Tobias J. Moskowitz
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WORKING PAPERS

The Collateral Premium and Levered Safe-Asset Production
(job market paper, 2020 BlackRock Applied Research Award Finalist)

Banks are vital suppliers of money-like safe assets: banks produce safe assets by issuing short-term liabilities and pledging collateral. But their ability to create safe assets varies over time as leverage constraints fluctuate. I present a model to describe private safe-asset production when intermediaries face leverage constraints. I measure bank leverage constraints using bank-intermediated basis trades. The collateral premium—a strategy long Treasuries used more often as repo collateral and short Treasuries used less often—has a positive expected return of 65 basis points per year because the collateral premium compensates for bank leverage risk.

Capital in the Financial Crisis with Timothy F. Geithner and Andrew Metrick

Why was the financial system stabilized with so little additional capital and very little additional public capital by mid-2009 despite substantial loss estimates? In early 2009, mark-to-market losses implied $800 billion of credit losses remaining, and consensus estimates stood at $340 billion. But the stress test in May 2009 required banks to raise only an incremental $75 billion of capital. Why? First, credit losses are not equivalent to capital needs because banks that remain a going concern can offset losses with revenues. Second, net income and actuarial loss estimates—rather than market-implied losses—were the proper basis for the stress test estimates of capital needs. Finally, the expected path of the economy improved with the macroeconomic policy actions.

Information Production During the Euro Crisis with Silvia Iorgova

Outside of financial crises, investors have little incentive to produce private information on banks' short-term liabilities held as information-insensitive safe assets. The same does not hold during crises. We measure daily information production from credit-default swap spreads during the global financial crisis and the subsequent European debt crisis. We study abnormal information production around major events and interventions during these crises and find that, on average, capital injections reduced abnormal information production while early European stress tests increased it. We link information production to outcomes: high levels of information production predict bank balance sheet contraction and higher government expenditures to support financial institutions. In an addendum, we show information production on financials fell relative to non-financials at the height of the COVID-19 crisis, reflecting the non-financial nature of the initial shock.

Safe-Asset Migration

Post-crisis reforms changed the location of safe-asset production. I propose a pair of tests to identify who issues safe assets and which safe-asset issuers opportunistically time issuance when the price of safe assets is high. The Federal Home Loan Bank (FHLB) system is a newly crucial safe-asset producer. FHLB debt issuance is an important determinant of the price of safe assets, and FHLB debt issuance responds to day-to-day fluctuations in safe-asset demand—measured via the convenience yield. FHLBs issue more after an unexpected increase in the convenience yield, and an unexpectedly large FHLB issue decreases the convenience yield. The FHLBs' ability to produce safe assets depends on their implicit government backing, a potential source of concern for future policymakers.

Pricing with Almost-Arbitrages with Sharon Y. Ross

We calculate realistic returns to more than 120 collateralized, bank-intermediated arbitrage identities to proxy for daily changes in intermediaries' marginal value of wealth. Increased leverage constraints mean intermediaries delever, and arbitrage returns grow. Large arbitrage returns correspond to high marginal values of intermediaries' wealth. We show how the marginal investor changes over time.

Cash-Hedged Stock Returns with Landon J. Ross and Sharon Y. Ross

U.S. companies hold cash on their balance sheets, and the share of assets held in cash varies across companies and over time. A firm's cash holding is an implicit position in a low-return asset, which pushes down a firm's common stock return, and investors should thus hedge out the cash on the balance sheets when calculating equity returns. Failing to do so has implications for portfolio formation and optimization, asset pricing models, and trading strategy performance.

PUBLICATIONS

Who Ran on Repo? with Gary B. Gorton and Andrew Metrick. *AEA Papers and Proceedings*, 110 (2020): 487–92.

WORK EXPERIENCE

Economist Intern, Monetary and Capital Markets Department, IMF	2020
Research Associate, Yale Program on Financial Stability	2015–2016
U.S. Economist, Fixed Income Division, Morgan Stanley	2015
Research Intern, Council of Economic Advisers, The White House	2014
Summer Analyst, U.S. Economics, Fixed Income Division, Morgan Stanley	2014

PRESENTATIONS

2020
ASSA Annual Meeting*, IMF, Federal Reserve Board

2019
Office of Financial Research

(= by coauthor)*

TEACHING EXPERIENCE

Fall 2017, 2018, 2019, 2020
Global Financial Crises (MBA & undergraduate class), Yale School of Management, teaching fellow for Professors Andrew Metrick and Timothy F. Geithner

Spring 2018, 2019, 2020
Capital Markets (MBA & undergraduate class), Yale School of Management, teaching fellow for Professor Gary B. Gorton