Research Statement

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The main objective of my research program is to analyze, both theoretically and empirically, the impact of important (yet often ignored) features of trading and human behavior on the process of price formation in domestic and international financial markets (for equity, government and corporate bonds, currency, and real estate).

This effort is motivated by the observation that over the last two decades, market efficiency — one of the dominant principles of modern Finance — has been challenged by several empirical "anomalies." Market efficiency states that prices are determined "fairly" in frictionless markets in which perfectly competitive agents are rationally driven by profit maximization. In such a setting, asset prices should "accurately" reflect assets' payoffs and "immediately" (or rapidly) adjust to any past and new information about them. However, many domestic and international financial markets have been experiencing high volatility, price bubbles, sudden, severe (and often deemed "excessive") downward price movements, drying liquidity, rapid reversals of capital flows, and contagious propagation of shocks across stocks, bonds, and currencies — as recently as during the global financial crisis of 2008-2009. These phenomena are pervasive and difficult to reconcile with standard asset pricing theory. Nonetheless, because of their significant economic, financial, and social implications, a greater understanding of these phenomena is of increasing, even urgent, importance to academics, practitioners, and policy-makers.

Against this backdrop, my research explores how the introduction of realistic financial frictions (such as *price manipulation*, *information asymmetry* and *heterogeneity*, *imperfect competition among agents*, and *endowment shocks*) or features of human behavior (such as *loss aversion*, *risk seeking in losses*, and *short-termism*) into models of rational and strategic trading may help explain these phenomena. My research's main contribution lies in identifying novel theoretical implications of these considerations, and providing novel evidence of their empirical relevance in three areas: *(i)* **Information and Prices**; *(ii)* **Financial Crises**; and *(iii)* **Government Intervention**. In particular, insights from my work shed light on the determinants of market quality (e.g., liquidity, volatility, and violations of the law of one price), firms' financial policies, financial crises and contagion, and both the effectiveness and the externalities of direct central bank interventions in currency and bond markets.

This research has been visible in, and well-received by, the academic community. My studies have been published in top Finance and Economics journals, have been often and increasingly cited, are discussed in many advanced PhD courses, and are frequently invited to major, competitive conferences, symposiums, and NBER meetings. I have also presented my research in numerous seminars at leading universities, given invited talks at conferences, discussed the work of colleagues, produced referee reports for top academic journals (activity for which I was rewarded as the **2015 Referee of the Year** by the *Review of Financial Studies*), and been appointed as Co-Editor or Associate Editor for two of them. Finally, my work is increasingly covered by the media and has received several research awards and grants (e.g., the **2015 Michael J. Brennan RFS Best Paper Runner-Up Award** by the *Review of Financial Studies*).