We thank Deutsche Bundesbank for supporting this lecture.
Frictions and Financial Market Quality

Abstract:
In his talk Paolo Pasquariello focuses on understanding the forces and frictions affecting financial market quality - the ability of financial markets to price assets correctly. He first shows that when a speculator cares about both the short-term value of her portfolio and her long-term profit, information disclosure is optimal: Public disclosure in the form of a mixture of fundamental information and the speculator’s position induces competitive dealership to revise prices in the direction of the speculator’s position. Using mutual fund disclosure through newspaper articles, he then find that when fund managers have stronger estimated short-term incentives, the frequency of strategic non-anonymous disclosures about stocks in their portfolios increases and those stocks’ liquidity improves, consistent with the model.

About Paolo Pasquariello:
Paolo Pasquariello is Professor of Finance at the Ross School of Business, University of Michigan. He has published in major Finance journals and is Associate Editor of the Review of Financial Studies and Co-Editor of the the Journal of Financial Markets. His research focuses on the role of 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) for the emergence of market anomalies such as periods of high volatility, price bubbles, sudden, severe downward price movements, drying liquidity, or rapid reversals of capital flows. His work is theoretical and empirical and covers 3 broad areas: (i) Information and prices, (ii) Financial crises, and (iii) Government intervention.

After the talk you are invited to a reception.

Please sign on:
TU Dresden, Faculty of Business and Economics
Chair of International Monetary Economics
Yvonne Bludau
Phone: +49 351 463 35900
yvonne.bludau@tu-dresden.de

https://tu-dresden.de/bu/bundesbanklecture