

# WENHAO LI

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## RESEARCH INTEREST

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Macro-finance, Financial Intermediation, Asset Pricing

## EMPLOYMENT

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2019– present      Assistant Professor of Finance and Business Economics,  
Marshall School of Business, University of Southern California

## EDUCATION

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2014–2019      **Stanford Graduate School of Business**  
Ph.D. in Finance. Dissertation: Public Liquidity and Financial Crises

2014–2017      **Stanford University**  
M.A. in Economics.

2009–2013      **Tsinghua University**  
B.S. in Industrial Engineering, *with honors*

## WORKING PAPERS

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**1. The Distortionary Effects of Central Bank Direct Lending on Firm Quality Dynamics**  
with Ye Li. Under review at Restud.

During COVID-19, central bank direct lending to firms becomes the “new normal”. Effective and necessary as it is, direct lending is subject to credit mispricing given central banks’ lack of information on individual borrowers. We show that direct lending in the current crisis necessitates a greater scale of interventions in future crises, which in turn cause more severe distortion of firm quality distribution. Such effects are amplified by firms’ forward-looking investment decisions in normal times. We show how to resolve these inefficiencies.

**2. Dissecting Mechanisms of Financial Crises: Intermediation and Sentiment**, with Arvind Krishnamurthy

*NBER Working Paper No. 27088*. Under review at JPE

Financial crises feature frothy pre-crisis behavior of asset markets (credit spread/equity price/bank credit) and skewed post-crisis dynamics. What is the underlying mechanism? We confront two prominent mechanisms with data, i.e., financial amplification via intermediation, and sentiment via time-varying beliefs.

**3. The Passthrough of Treasury Supply to Bank Deposit Funding**, with Yiming Ma and Yang Zhao

**R&R at Review of Financial Studies.**

*Arthur Warga Award for the Best Paper in Fixed Income, SFS Cavalcade*

We find that Treasuries crowd out both bank deposit funding and wholesales funding, and the impact is larger with stronger bank deposit competition, contrasting the Fed Funds rate (FFR) impact. These differences arise because FFR mainly affects bank asset side while Treasuries mainly affect bank liability side. The model is used for evaluating the impact of reverse repo facilities by the Fed.

#### **4. Public Liquidity and Financial Crises**

*Cubist Systematic Strategies Award for Outstanding Research, WFA.* Under review at AEJ-Macro

What is the impact of quantitative easing, and how does it vary with financial market conditions and public liquidity supply? Towards this goal, I quantify the liquidity insurance channel, where banks demand public liquidity as insurance against banking crises. I find that the recent QE infinity during the coronavirus pandemic is much less effective than the QE1 during the 2008 crisis, mainly due to larger existing liquidity supply.

#### **5. Liquidity Premium and the Substitution Between Bank Deposits and Treasuries**, with Arvind Krishnamurthy. Under review at RFS.

This paper provides a reliable way to estimate the substitution between bank deposits and Treasuries. Our results indicate that both Treasury supply and monetary policy affect the liquidity premium of Treasuries.

#### **6. The Term Structure of Liquidity Premium**, with Scott Joslin and Yang Song

We construct the term structure of the liquidity premium and show its driving forces, including interest rate policies and quantitative easing policies.

### **WORKING IN PROGRESS**

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- 1. Financial Intermediaries and Treasury Market Regimes**, with Ben Hebert and Wenxin Du
- 2. Misallocation in Banking**, with Anthony Zhang and Erica Jiang

### **PRESENTATIONS AND DISCUSSIONS**

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| 2022 | (scheduled) MFA Annual meeting (*2), Brown University Macroeconomic Seminar, HEC Paris Finance Seminar, EFA annual meeting.  |
| 2021 | NBER SI Impulse and Propagation Mechanisms*, IMF Macro Finance Seminar, AFA Annual Meeting, Cornell*, Wharton*, New York Fed*, SFS Cavalcade (×2), WFA Annual Meeting, CICF, China International Conference In Macroeconomics, China Macro-Finance Workshop, IBEFA 2021 Summer Meeting, Barcelona Asset Prices and Macroeconomics Workshop, Banco de Portugal*, Society of Economic Dynamics Meeting, EFA 2021, CESifo Area Conference on Macro, Money and International Finance, ETH Zurich Macro-finance Conference, Oxford Said-ETH Zurich Macro-finance Conference, Red Rock Finance Conference, Federal Reserve Board*, New York Fed*, Liquidity in Macroeconomics Workshop, RBC-OFB 2021 Financial Stability Conference, Finance Theory Group 25th Meeting at Yale University*, Colorado Finance Summit, Paris Finance Meeting |

- 2020 NBER Asset Pricing, Short-Term Funding Conference by Fed Board, Liquidity in Macroeconomics Workshop, AFA Annual Meeting, SFS Cavalcade, Virtual Finance Workshop\*, Asset Prices, Finance and Macroeconomics Workshop, UW Foster\*, Stanford SITE Conference, WFA Annual Meeting, Australasian Finance and Banking Conference
- 2019 Stanford Finance Seminar, Stanford Macro Lunch, MFM summer session, SITE conference, EMCON, Midwest Macro Conference, SFS Cavalcade Asia Pacific, HKUST Finance, USC Marshall FBE, Wharton Finance, Western Financial Association Annual Meeting, UW Foster, Northern Financial Association Annual Meeting.
- 2018 Federal Reserve Bank of Cleveland\*, 2018 Columbia Junior Structural Conference\*, Stanford Graduate School of Business, Stanford SITE Summer Workshop, American Financial Association Annual Meeting, UNC Junior Roundtable\*, and the 2018 WAPFIN Conference at NYU Stern\*
- 2017 SFS Cavalcade\*, AFA Annual Meeting
- Note: \* for coauthor presentations*

### Conference Discussions:

- 2021 Breckenfelder, Grimm, and Hoerova (2021), Do non-banks need access to the lender of last resort? Evidence from fund runs, at Paris Finance Meeting 2021.
- 2021 Eisenschmidt, Ma, and Zhang (2021), “Monetary Policy Transmission in Segmented Markets”, at Swedish House of Finance Conference, Money Markets in a New Era of Central Bank Policies.
- 2021 Quentin (2021), “Treasury Debt and the Pricing of Short-Term Assets”, Oxford Said–ETH Zurich Macro-finance Conference.
- 2020 Kargar (2019), Heterogeneous Intermediary Asset Pricing, at American Financial Association Annual Meeting 2020.
- 2020 Cong, Li, and Wang (2019), Tokenomics and Platform Finance, at American Australian Finance and Banking Conference 2020.
- 2020 Chernov, Song, Augustin, and Schmid (2020), *Benchmark interest rates when the government is risky*, at Western Financial Association Annual Meeting 2020<sup>†</sup>.

### AWARDS

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- 2020 Arthur Warga Award for Best Paper in Fixed Income, SFS Cavalcade
- 2019 Cubist Systematic Strategies Award for Outstanding Research, Western Finance Association
- 2014–2019 Stanford GSB Fellowship
- 2013 Outstanding Graduate for Academic Performance, Tsinghua University
- 2012 Boeing Scholarship

### PROFESSIONAL SERVICE

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Referee for the Journal of Finance, Review of Financial Studies, Review of Economic Studies, Management Science, the Journal of Monetary Economics, Review of Economic Dynamics, and Review of Finance.

Program Committee for SFS Cavalcade North America 2020, 2021, and 2022

Organizer for USC Macro-Finance Workshops.

## **TEACHING**

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- 2019–2021 BUAD 306 Business Finance (Undergraduate), Marshall School of Business
- 2019–2021 Continuous-Time Methods in Finance and Economics (PhD lecture), UW Foster
- 2018 FINANCE 377 Chinas Financial System (MBA), Stanford Graduate School of Business. TA lecture on “Shadow Banking in China”.
- 2017 FINANCE 637 Macroeconomics and Financial Markets (PhD), Stanford Graduate School of Business. TA lecture on “Continuous-Time Method”.