XUHUI CHEN

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EDUCATION

The University of British Columbia 2021-2027 (expected)
Ph.D. in Finance
Chairs: Adlai Fisher, Lorenzo Garlappi

The University of British Columbia 2020-2021
Master of Science in Finance
The degree is not conferred, being invited to transfer to Ph.D. program

Southwest University 2016-2020
B.A. in Economics, Minor in Mathematics

RESEARCH INTERESTS

Asset Pricing, Macro-Finance

WORKING PAPERS

Asset Pricing with Responsible Consumption

Co-authors: Lorenzo Garlappi and Ali Lazrak
Minor Revision Requested by **Management Science**

Abstract: We develop an equilibrium model of responsible consumption and asset prices in which product substitutability governs the cross-sectional dispersion of the green premium. When green products are hard to substitute, price adjustments buffer firm revenues against productivity shocks, making green stocks effective consumption hedges with lower expected returns. When products are easily substitutable, this buffer disappears: green firms bear greater cash-flow risk and green stocks earn higher expected returns. The green premium therefore increases monotonically with product substitutability. We find strong empirical support for this "slope effect" in the green premium. In U.S. data, the annual green premium rises from -3.6% to +6.0% across substitutability terciles, a 9.6 percentage point spread that is robust to standard risk controls. The slope effect is stronger for business-to-consumer firms, appears in both realized and expected returns, and reflects differential cash-flow exposure to ESG risk. Product market structure is therefore a first-order determinant of the cross-section of the green premium, establishing responsible consumption as a distinct channel through which social preferences are priced.

Selected Conferences: WFA 2024, SFS Cavalcade North America 2024, FIRS 2024, Chicago Federal Reserve Board, Pennsylvania State University, University of Colorado-Boulder, Finance Theory Group Summer School 2023, Stanford Institute of Theoretical Economics Conference "New Frontier in Asset Pricing" Workshop 2023, EUROFIDAI-ESSEC Paris December Finance Meeting 2023

A Preferred-Habitat Model of Term Structure with Dealer Market Power

Abstract: Dealers finance most of their Treasury holdings through repo borrowing, yet term-structure models treat them as price takers despite their market power over lenders. I embed this market power into a preferred-habitat model. Dealers strategically restrict carry trades and earn a funding rent proportional to their market power and the policy rate. In their first-order condition, this rent acts as a marginal shadow funding cost. Because it moves with the policy rate, market power makes carry positions more sensitive to monetary shocks, increasing bond-price sensitivity to interest-rate risk and return volatility. Higher volatility raises the compensation dealers require for absorbing quantity shocks, which increases their price impact and thereby raises volatility again—an equilibrium feedback I call the volatility spiral. The mechanism lowers Treasury valuations and strengthens the transmission of both forward guidance and quantitative easing. Forward-guidance amplification is largest for short bonds and fades with maturity, whereas quantitative-easing amplification is smallest for short bonds and grows with maturity. Calibrated to U.S. Treasury and repo market data, the model implies that dealer market power accounts for $2.6 trillion, about 9%, of the market value of outstanding Treasury debt, and amplifies forward guidance by 1.8 to 2.0 times and quantitative easing by 3.9 to 6.0 times relative to a competitive repo market. Thus, reforms to repo-market structure can alter government financing costs and monetary-policy transmission well beyond the repo market itself.

Selected Conferences: NFA 2026

GRANTS AND HONORS

Paul Chwelos Memorial Award for Teaching Excellence	2025
Peter Lustig Fellowship	2025
Canadian Securities Institute Research Foundation PhD Award	2025
"Climate Change Mitigation in Business and Society" Grant	2024
"Business for Social Good" Grant Competition – First prize	2023
UBC Affiliated Scholarship	2023
Michael A. Goldberg Award	2020
Chinese National Merit Scholarship	2018
Chinese National Mathematics Competition – First prize	2018

TEACHING

University of British Columbia

COMM 371 Investment Theory, instructor — 2024W
Teaching evaluation: **4.9/5.0** (response rate: 31/41); University Average: 4.1/5.0
Paul Chwelos Memorial Award for Teaching Excellence

SERVICE

President, Sauder Graduate Student Society, The University of British Columbia — 2023

SKILLS AND PERSONAL

Programming: Python, Julia, R, Matlab, Dynare, LaTeX
Language: English (fluent), Chinese (native)
Canadian Permanent Resident; Chinese Citizen