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EDUCATION

Ph.D. in Finance, New York University

May 2008 (*Expected*)

Dissertation Committee: Marti Subrahmanyam (Chair), Lasse Pedersen, Rangarajan Sundaram, Robert Engle, Stephen Figlewski, Robert Whitelaw

MBA, Indian Institute of Management, Ahmedabad, India

2001

B.Tech in Chemical Engineering, Indian Institute of Technology, Kharagpur, India

1999

RESEARCH INTERESTS

Fixed Income, Credit Risk, Market Frictions, Derivatives, Financial Econometrics.

PAPERS

“Are Security Lending Fees Priced? Theory and Evidence from the U.S. Treasury Market”
Job Market Paper

I study the extent to which security lending fees affect prices in the context of search frictions in the repo market, and make three main theoretical contributions to the literature on short-selling: 1) I incorporate heterogeneity in investors’ access to the repo market, and show that securities become slowly “locked up” from the repo market as short interest builds up; 2) I provide testable predictions that distinguish whether short selling is due to hedging or arbitrage activity; 3) I show that when short-selling is driven by the hedging, the proportion of observed future lending fees that is priced is less than one and decreases as short interest builds up. I provide new stylized facts and test the model’s implications using repo-rate data from regular US Treasury auctions. I find evidence that short-selling in on-the-run US treasuries is motivated by hedging rather than arbitrage activity. The hedging-based model matches a number of empirical patterns in prices and repo fees over regular auction cycles in US Treasury notes.

“Latent liquidity: A new measure of liquidity with an application to corporate bonds” (with G. Chacko, S. Mahanti, G. Mallik and M. Subrahmanyam)

Journal of Financial Economics (forthcoming)

Awarded the Glucksman Prize for the best research paper in finance at the Stern School of Business

“Corporate bond specialness” (with Lasse Pedersen)

Working Paper

“Latent liquidity and corporate bond yield spreads” (with S. Mahanti and M. Subrahmanyam)

Working Paper

“Implied volatility correlations” (with S. Figlewski and R. Engle)
Work in progress

TEACHING EXPERIENCE

Instructor, Corporate Finance Topics (Undergraduate) *Summer, 2006*
Managed and taught the advanced corporate finance course for undergraduates covering capital structure, real options and valuation.
Teaching Rating : 6.5/7.0 (Stern award for teaching excellence)

Teaching Assistant, Futures and Options (Executive MBA) *Fall 2004, Fall 2005*
Prof. M. Subrahmanyam and Prof. R. Sundaram

Teaching Assistant, Futures and Options (MBA) *Fall 2004, Fall 2005*
Prof M. Subrahmanyam

Instructor, Fixed Income, Money Markets and Derivatives Association of India *2001-2003*

Instructor, Institute of Financial Management and Research, Chennai, India *2002*

AWARDS, SCHOLARSHIPS AND CERTIFICATIONS

Jules I. Bogen Fellowship, Stern School of Business, New York University *2007-2008*

Glucksman prize for best research paper in finance at the Stern School of Business *2006*

Stern School of Business award for teaching excellence *2006*

NASDAQ-Derivatives Research Project Fellowship *2006-2007*

Financial Risk Manager Certification, Global Association of Risk Professionals *2001*

Aditya Vikram Birla Scholarship nominee, IIM, Ahmedabad *1999*

CONFERENCE PRESENTATIONS

“Corporate bond specialness”: European Finance Association (2007), LBS Transatlantic Doctoral conference (2007).

“Latent liquidity and corporate bond yield spreads”: LBS Transatlantic Doctoral conference (2006), NBER Microstructure Group Meeting (2006), European Finance Association (2007), Journal of Investment Management conference (2007)

“Implied Volatility Correlations”: Stern School of Business - Financial Econometrics seminar (2006), Salomon Center Derivatives Conference (2007)

NON-ACADEMIC EXPERIENCE

Visiting Scholar, International Monetary Fund

2005

Manager, ICICI Bank, India

2001-2003

Fixed Income Research, Asset Liability Management

Fixed Income, Money Markets and Derivatives Association, India

2001-2003

Development of valuation models and advisory role to the Reserve Bank of India

REFERENCES

Prof. Marti G. Subrahmanyam

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PAPER ABSTRACTS

“Are Security Lending Fees Priced? Theory and Evidence from the US Treasury Market”

I study the extent to which security lending fees affect prices in the context of search frictions in the repo market, and make three main theoretical contributions to the literature on short-selling: 1) I incorporate heterogeneity in investors’ access to the repo market, and show that securities become slowly “locked up” from the repo market as short interest builds up; 2) I provide testable predictions that distinguish whether short selling is due to hedging or arbitrage activity; 3) I show that when short-selling is driven by the hedging, the proportion of observed future lending fees that is priced is less than one and decreases as short interest builds up. I provide new stylized facts and test the model’s implications using repo-rate data from regular US Treasury auctions. I find evidence that short-selling in on-the-run US treasuries is motivated by hedging rather than arbitrage activity. The hedging-based model matches a number of empirical patterns in prices and repo fees over regular auction cycles in US Treasury notes.

“Latent liquidity: A new measure of liquidity with an application to corporate bonds” (with G. Chacko, S. Mahanti, G. Mallik and M. Subrahmanyam)

We present a new measure of liquidity known as “latent liquidity” and apply it to a unique corporate bond database. Latent liquidity is defined as the weighted average turnover of investors who hold a bond, in which the weights are the fractional investor holdings. It can be used to measure liquidity in markets with sparse transactions data. For bonds that trade frequently, our measure has predictive power for both transaction costs and the price impact of trading, over and above trading activity and bond-specific characteristics thought to be related to liquidity. Additionally, this measure exhibits relationships with bond characteristics similar to those of other trade-based measures.

“Corporate bond specialness” (with Lasse Pedersen)

Using data on all corporate bond loans by one of the worlds largest custodian banks, we study the main determinants of shorting costs as measured by rebate rate specialness. We find that 3.0% of corporate bonds are on loan, and 11% of loaned bonds have substantial shorting costs above 50 basis points. In the cross section, specialness is higher for bonds that are of worse credit rating, higher yield spread, smaller issues, less time to maturity, more illiquid, and bonds that appear expensive relative to the corresponding credit default swap. Bonds that are downgraded to speculative grade are more likely to be on special for several weeks before and after the downgrade, and have large shorting activity. Finally, equity specialness is positively related to the firms bond specialness and the bond-CDS basis.

“Latent liquidity and corporate bond yield spreads” (with S. Mahanti and M. Subrahmanyam)

Recent research has shown that default risk accounts for only a part of the total yield spread on risky corporate bonds relative to their risk-less benchmarks. One candidate for the unexplained portion of the spread is a premium for liquidity. We investigate this possibility by relating the liquidity of corporate bonds, as measured by their ease of market access, to the basis between the credit default swap (CDS) price of the issuer and the par-equivalent corporate bond yield spread. The ease of access of a bond is measured using a recently

developed measure called *latent liquidity*, which is defined as the weighted average turnover of funds holding the bond, where the weights are their fractional holdings of the bond. We find that bonds with higher latent liquidity are more expensive relative to their CDS contracts, after controlling for other realized measures of liquidity. Additionally, we document the positive effects of liquidity in the CDS market on the CDS-bond basis. We also find that several firm-level variables related to credit risk negatively affect the basis, indicating that the CDS price does not fully capture the credit risk of the bond. Furthermore, we find that when default risk of a firm is high, its illiquid bonds are more expensive. We also document that bond-level variables related to features of the contract that may be related to credit risk, such as the presence of covenants, have a negative impact on the CDS-bond basis. These findings are consistent with limits to arbitrage between the CDS and bond markets, due to the costs of “shorting” bonds.

“Implied volatility correlations” (with S. Figlewski and R. Engle)

We develop models for innovations in implied volatility and their correlations, using a dynamic conditional correlation (DCC) approach. Our models match evidence that long run correlations between implied volatilities are high, while short term correlations are low. In addition, we uncover evidence of a factor structure in the correlations: correlations tend to increase when there are large positive innovations in market-wide volatilities.