Yoel Krasny

CONTACT INFORMATION

Department of Finance
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-197
New York, NY 10012

Phone: (212) 998-0374
Cell: (646) 705-4100
Fax: (212) 995-4233
Email: jkrasny@stern.nyu.edu
Web: www.stern.nyu.edu/~jkrasny

EDUCATION

Leonard N. Stern School of Business, New York University

Ph.D. in Finance, May 2010 (*expected*)

Department of Electrical Engineering, Technion - Israel Institute of Technology

Bachelor of Science in Computer Engineering, summa cum laude, 2002

RESEARCH INTERESTS

Portfolio Choice, Asset Pricing, Mutual Funds, Behavioral Economics.

FINANCE PAPERS

"Asset Pricing with Status Risk" - Job Market Paper

"Do mutual funds manage their risk? Evidence from holdings data" - Work In Progress

"The Alpha Stochastic Order and the Preference for Lottery-Like Assets" - Work In Progress

"The Effect of Holdings Data on Conclusions about Mutual Fund Behavior" (with Edwin J. Elton, Martin J. Gruber, Christopher R. Blake and Sadi Ozelge), forthcoming in *The Journal of Banking and Finance*.

OTHER RESEARCH PAPERS

"Effective Analysis of Runtime Failures in Group Communication Systems" (with A. Krits, B. Mandler, R. Vitenberg, G. Kliot) Workshop on Reliability Analysis of System Failure Data, Cambridge, March 2007

"Effective Testing and Debugging Techniques for a Group Communication System" (with E. Farchi, G. Kliot, A. Krits, and R. Vitenberg) DSN 2005: 35th IEEE International Conference on Dependable Systems, Yokohama, June 2005

"Automatic Simulation of Network Problems in UDP-Based Java Programs" (with E. Farchi, and Y. Nir) 18th International Parallel and Distributed Processing Symposium, Santa Fe, NM, April 2004

TEACHING EXPERIENCE

Leonard N. Stern School of Business, New York University, New York, NY

Instructor, Foundations of Financial Markets (Summer 2009)
Stern Undergraduate College
Teaching Rating: 6.7 out of 7.0 (*highest rating amongst 41 sections of this course taught at the Stern school in the last three years*)

Topics: CAPM, portfolio theory, fixed income valuation, equity valuation, arbitrage, options.

Teaching Assistant, Modern Portfolio Theory and Asset Management
Stern MBA
Instructor - Professor Martin J. Gruber

Professional Experience

IBM Haifa Research Lab, Haifa, Israel

Software engineer, project leader, release manager (2002-2005), Part-time Software engineer (1999-2002)

Conexant Systems, San-Diego, CA

Embedded Software engineer, intern (Summer 2002)

Awards

American Finance Association Travel Grant (2009)
Leonard N. Stern School of Business, New York University

- Marcus Nadler Fellowship (2009-2010)
- Commendation for Teaching Excellence (Summer 2008)

United States Patent 20070100647 - "Eligibility list management in a distributed group membership system" (with E. Dekel, G. Goft, A Krits, D Lorenz, W. T. Newport, J. W. Stopyro, and A. J. Wecker)

Abstracts of Finance Papers

Asset Pricing with Status Risk

I examine the impact of status-seeking considerations on investors' portfolio choices and asset prices in a general equilibrium setting. The economy I study consists of traditional ("Markowitz") investors as well as status-seekers who are concerned about relative wealth. The model highlights the strategic and interdependent nature of portfolio selection in such a setting: low-status investors look for portfolio choices that maximize their chances of moving up the ladder while high-status investors look to maintain the status quo and hedge against these choices of the low-status investors. In equilibrium, asset returns obey a novel two-factor model in which one factor is the traditional market factor and the other is a particular "high volatility factor" that does not appear to have been identified so far in the theoretical or empirical literature. I test this two-factor model using stock market data and find significant support for it. Of particular interest, the model and the empirical results attribute the low returns on idiosyncratic volatility stocks documented by Ang, Hodrick, Xing and Zhang (2006) to their covariance with the portfolio of highly volatile stocks held by investors with relatively low status.

Do mutual funds manage their risk? Evidence from holdings data

I study time variation in mutual fund factor loadings using monthly holdings data. I find that active portfolio management is not the main source of time

variation in the conditional betas for monthly fund returns. Rather, an important source of time variation is the passive change in portfolio composition, arising solely from changes in market prices in prior months that cause changes in the relative weights of the stocks in the fund from month to month. This mechanism gives rise to a positive relationship between changes in the conditional fund beta with respect to the market for a given month and the return on the market in the prior month. Under general conditions, when the price of the market portfolio rises, the prices of high-beta stocks rise by more than the prices of low-beta stocks. Therefore, the weights of the high-beta stocks in a fund at the start of the next month increase and so does the fund's conditional beta with the market in the next month. A similar result holds for a fund's conditional beta with respect to any mimicking portfolio. This relationship could lead to biased performance evaluation relative to a given conditional factor model when using an unconditional regression of monthly fund returns on the relevant set of mimicking portfolios.

The α-Stochastic Order and the Preference for Lottery-Like Assets

I introduce a new stochastic order, the α-stochastic order, which ranks probability distributions according to their positive skewness. This stochastic order emerges from an equilibrium analysis of an economy with status-conscious investors who invest in a risk-free asset and a risky asset with general distribution properties. From an economic point of view, this stochastic order is used to identify the risky assets that draw higher demand in equilibrium. Status-conscious investors prefer positively skewed, lottery-like assets, because they provide a chance to climb up the wealth-based status ladder, without the risk of falling too low. From a statistical point of view, the α-stochastic order ranks probability distributions according to their location and their positive skewness, reflected in the relationship between their right tail and their left tail. I study the properties of this stochastic order and show, among other things, that first order stochastic dominance is a sufficient condition for α order stochastic dominance.

The Effect of Holdings Data on Conclusions about Mutual Fund Behavior (with Edwin J. Elton, Martin J. Gruber, Christopher R. Blake and Sadi Ozelge)

A number of articles in financial economics have used quarterly or semi-annual mutual fund holdings data to test hypotheses about investment manager behavior. This article reexamines four well-known hypotheses in finance to determine whether the results of prior tests of these hypotheses remain valid when higher frequency (monthly) holdings data are employed. The areas examined are: momentum trading, tax-motivated trading, window dressing, and tournament behavior. We find that the use of monthly holdings data rather than quarterly holdings data or, in the case of tournament behavior, holdings data rather than monthly return data, change, and in some cases reverse, previous results. This occurs because monthly holdings data capture a large number of trades missed by quarterly data (18.5% of the trades) and permit a more precise estimation of the timing of trades.

References

Prof. Raghu Sundaram (Chair)
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-92
New York, NY 10012
Email: rsundara@stern.nyu.edu
Phone: +1-212-998-0308

Prof. Viral Acharya
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-84
New York, NY 10012
Email: vacharya@stern.nyu.edu
Phone: +1-212-998-0354

Prof. Yakov Amihud
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-58
New York, NY 10012
Email: yamihud@stern.nyu.edu
Phone: +1-212-998-0720

Prof. Xavier Gabaix
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-77
New York, NY 10012
Email: xgabaix@stern.nyu.edu
Phone: +1-212-998-0257

Prof. Martin Gruber
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-88
New York, NY 10012
Email: mgruber@stern.nyu.edu
Phone: +1-212-998-0333

Prof. Anthony Lynch
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-97
New York, NY 10012
Email: alynch@stern.nyu.edu
Phone: +1-212-998-0350

Prof. Robert Whitelaw
Leonard N. Stern School of Business
New York University
44 West 4th Street, Suite 9-69
New York, NY 10012
Email: rwhitela@stern.nyu.edu
Phone: +1-212-998-0338