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Undergraduate Studies:

BSBA, Finance, Washington University in St. Louis, *summa cum laude*, 2003

Graduate Studies:

Harvard University, Ph.D. Candidate in Business Economics, 2005 to present
Thesis Title: "Essays in Financial Economics"
Expected Completion Date: June 2010

References:

Professor David S. Scharfstein
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Professor Robin Greenwood
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Professor Jeremy C. Stein
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Professor C. Fritz Foley
Harvard Business School
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Research and Teaching Fields:

Corporate Finance, Behavioral Finance

Teaching Experience:

Fall 2008	Corporate Finance (undergraduate), Harvard University, Head Teaching Fellow for Professor Borja Larrain
Spring 2008	Corporate Finance (graduate), Harvard University, Teaching Fellow for Professors David S. Scharfstein and Effi Benmelech
Spring 2007	Introduction to Applied Econometrics (graduate), Harvard University, Teaching Fellow for Professor Gary Chamberlain
2006-2007	Stata Help Teaching Fellow

Research Experience and Other Employment:

2003-2004	Board of Governors of the Federal Reserve System, International Finance Division, Trade and Financial Studies Section, Research Assistant
Spring 2002	DaimlerChrysler AG, Corporate Development, Intern

Professional Activities:

Presentations	Washington University in St. Louis Sixth Annual Corporate Finance Conference, 2009, "Agency Costs, Mispricing, and Ownership Structure"
Referee	<i>Journal of International Money and Finance</i>

Honors, Scholarships, and Fellowships:

2009 Harvard Real Estate Academic Initiative Research Grant
2005-present Doctoral Fellowship, Harvard Business School

Publications:

“Trading Activity and Macroeconomic Announcements in High-Frequency Exchange Rate Data” (with A. P. Chaboud and J. H. Wright), *Journal of the European Economic Association* 6, 2008, 589-596.

“Order Flow and Exchange Rate Dynamics in Electronic Brokerage System Data” (with D. W. Berger, A. P. Chaboud, E. Howorka, and J. H. Wright), *Journal of International Economics* 75, 2008, 93-109.

Research Papers:

“*The Real Consequences of Market Segmentation*” (**Job Market Paper**) (with Adi Sunderam).

Abstract: We study the real effects of market segmentation due to credit ratings. We focus on a matched sample of firms just above (BBB-) and just below (BB+) the investment-grade cutoff. These firms are similar on observable characteristics, including average rates of investment. However, flows into high-yield mutual funds only affect the cost of capital for the speculative-grade firms. We show that these cost of capital shocks have an economically significant effect on issuance and investment, especially for firms that are smaller, do not pay dividends, cannot substitute to bank loans, or are unlikely to access the asset-backed securities market. The effect of fund flows is associated with the discrete change in label from investment-grade to speculative-grade, not with changes in continuous measures of credit quality. We also conduct falsification tests showing that the investment-grade cutoff is the only one where the investment of firms just below the cutoff is more sensitive to fund flows than the investment of firms just above the cutoff. Finally, we offer some suggestive evidence that during the recent credit boom CDO flows increased the investment of BB+ firms relative to their BBB- matches.

“*Arbitrage Capital and Real Investment*” (with Adi Sunderam).

Abstract: We study the relationship between the supply of arbitrage capital and real investment. The investment of firms that depend on convertible debt for financing responds positively to flows into convertible arbitrage hedge funds. An extra \$1 of fund flows increases capital expenditures of convertible dependent firms by \$0.49. At the same time, convertible arbitrage strategy returns are uncorrelated with the stock returns of convertible dependent firms. Moreover, fund flows respond positively to lagged strategy returns but not to lagged returns of dependent firms, suggesting that the supply of capital is not driven by changes in firm investment opportunities. We also examine an isolated market dislocation that occurred in 2005 when funds suffered large withdrawals. Though the macroeconomic outlook was positive and stable, dependent firms sharply cut their investment in response to the withdrawal of capital, with the overall reduction in capital expenditures amounting to 55% of outflows. Our results suggest that firm investment responds to shocks to the supply of arbitrage capital.

“*Agency Costs, Mispricing, and Ownership Structure*” (with Fritz Foley and Robin Greenwood).

Abstract: Standard agency theories of corporate ownership assume that because markets are efficient, insiders bear the costs of diverting resources from outside investors. We show that if equity is overvalued, however, the controlling shareholder lists more equity, and in equilibrium diverts more from outside investors. The greater is the scope for expropriation, the greater is the mispricing that is required for the controlling shareholder to list shares. We test predictions that follow from this idea on a sample of publicly listed subsidiaries in Japan. When there is greater scope for expropriation by the parent firm, minority shareholders fare poorly post listing, experiencing risk-adjusted returns between -60 and -71 basis points per month. Parent firms commonly repurchase subsidiaries, usually at large discounts to listing value, and experience positive abnormal returns when repurchases are announced.

“The Two Sides of Derivatives Usage: Hedging and Speculating with Interest Rate Swaps” (with Michael Faulkender), R&R, *Journal of Financial and Quantitative Analysis*.

Abstract: We use a large, hand-collected panel data set of debt structure and interest rate swap usage by non-financial firms to distinguish between hedging and speculative motivations for using derivatives. Cross-sectional and time-series variation in swap and floating rate debt usage are roughly equal in magnitude, suggesting that both hedging and speculation play an important role. Firms’ choice of target interest rate exposure of their debt is consistent with hedging, particularly among high investment firms. Although more levered firms carry less floating rate debt, they do not match the interest rate exposures of their debt and cash flows any more than other firms. Executive compensation results, on the other hand, are driven by variation in the term structure and are more consistent with speculation than hedging. We conclude that derivatives are used to both hedge, due to costly external financing, and to speculate, particularly when executives are rewarded for successful speculation and when it enables firms to meet earnings targets.

“The High-Frequency Effects of U.S. Macroeconomic Data Releases on Prices and Trading Activity in the Global Interdealer Foreign Exchange Market” (with A. P. Chaboud, E. Howorka, R. S. Krishnasami Iyer, D. Liu, and J. H. Wright), International Finance Discussion Paper 823, 2004.

Abstract: We introduce a new high-frequency foreign exchange dataset from EBS (Electronic Broking Service) that includes trading volume in the global interdealer spot market, data not previously available to researchers. The data also gives live transactable quotes, rather than the indicative quotes that have been used in most previous high frequency foreign exchange analysis. We describe intraday volume and volatility patterns in euro-dollar and dollar-yen trading. We study the effects of scheduled U.S. macroeconomic data releases, first confirming the finding of recent literature that the conditional mean of the exchange rate responds very quickly to the unexpected component of data releases. We next study the effects of data releases on trading volumes. News releases cause volume to rise, and to remain elevated for a longer period. However, in contrast to the result for the level of the exchange rate, even if the data release is entirely in line with expectations, we find that there is still typically a large pickup in trading volume.

“The Information Content of Forward and Futures Prices: Market Expectations and the Price of Risk” (with K. B. Schwartz and J. H. Wright), International Finance Discussion Paper 808, 2004.

Abstract: Forward and futures rates are frequently used as measures of market expectations. In this paper we apply standard forecast efficiency tests, and some newer exact sign and rank tests, to a wide range of forward and futures rates, and in this way test whether these are in fact rational expectations of future actual prices. The forward and futures rates that we study under a common methodology include foreign exchange forward rates, U.S. and foreign interest rate futures and forward rates, oil futures and natural gas futures. For most, but not all, of these instruments, we find that we can reject the hypothesis that the forward or futures rates are rational expectations of actual future prices. It is well known that foreign exchange forward rates give less accurate forecasts than a random walk, but we show that this is also true for some interest rate futures and forward rates. We conclude that forward and futures prices are not generally pure measures of market expectations: they are also heavily affected by the market price of risk.

“The Use of Interest Rate Swaps to Generate Earnings” (with M. Faulkender and N. Jenkins), 2007.

Abstract: We study the use of interest rate swaps to manage earnings and report three new findings. First, the sensitivity of interest rate swap usage to the term structure intensifies when firms engage in earnings management. Second, earnings announcement returns are positive for firms decreasing current earnings by swapping from floating to fixed and negative for firms increasing current earnings by swapping from fixed to floating. Third, firms that use swaps to increase earnings access the debt market within two years of their swap activity, indicating that some swap usage may be for reasons other than hedging. Overall, the market appears to differentiate between swaps used to hedge risk and those used to manage earnings.