Alejandro Lopez-Lira

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Contact information

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Academic Appointments

Assistant Professor of Finance, University of Florida 2021-
Assistant Professor of Finance, BI Norwegian Business School 2020-2021

Education

The Wharton School, University of Pennsylvania
Ph.D. in Finance 2015-2020
M.A. in Finance

Instituto Tecnologico Autonomo de Mexico (ITAM)
M.A. in Economic Theory 2014-2015
B.A. in Economics (with honors) 2010-2014
B.A. in Financial Management (with honors)

Research Interests

Fintech, Machine Learning, Asset Pricing, Macro Finance, Bayesian Econometrics, Private Equity

Working Papers

Man vs. Machine Learning: The Term Structure of Earnings Expectations and Conditional Biases (submitted) [download]
joint with Jules H. van Binsbergen and Xiao Han
We use machine learning to construct a statistically optimal and unbiased benchmark for firms' earnings expectations. We show that analyst expectations are on average biased upwards, and that this bias exhibits substantial time-series and cross-sectional variation. On average, the bias increases in the forecast horizon, and analysts revise their expectations downwards as earnings announcement dates approach. We find that analysts' biases are associated with negative cross-sectional return predictability, and the short legs of many anomalies consist of firms for which the analysts' forecasts are excessively optimistic relative to our benchmark. Managers of companies with the greatest upward biased earnings forecasts are more likely to issue stocks.

Risk Factors That Matter: Textual Analysis of Risk Disclosures for the Cross-Section of Returns [download]
I exploit unsupervised machine learning and natural language processing techniques to elicit the risk factors that firms themselves identify in their annual reports. I quantify the firms' exposure to each identified risk, design an econometric test to classify them as either systematic or idiosyncratic, and

construct factor mimicking portfolios that proxy for each undiversifiable source of risk. The portfolios are priced in the cross-section and contain information above and beyond the commonly used multi-factor representations. A model that uses only firm identified risk factors (FIRFs) performs at least as well as traditional factor models, despite not using any information from past prices or returns. **Awards:** *Jacobs Levy Center Research Paper Prize for Best Paper; WFA Cubist Systematic Strategies Ph.D. Candidate Award for Outstanding Research; Best Paper, European Investment Forum Research Prize, Cambridge; Best Paper in the Investment Track, Baltimore Area Finance Conference; Finalist, BlackRock's Applied Research Award; Best Paper Award: Invesco IQS Factor Investing Prize*

Do Common Factors Really Explain the Cross-Section of Stock Returns?
joint with Nikolai Roussanov
We find a significant unexplained excess return that arises without taking any systematic risk in the APT sense. We measure individual stocks' exposures to all the common latent factors using a novel high-dimensional method and find that all latent factors have negligible risk premiums despite explaining a large fraction of the time-series variation in stock returns. We use machine learning to construct out-of-sample forecasts of stock returns. A zero-cost beta-neutral portfolio that exploits this predictability but hedges all undiversifiable risk delivers a Sharpe ratio above one and no correlation with any systematic factor.

Demand-Driven Risk and the Cross-Section of Expected Returns
Firms that concentrate their activities towards goods with higher income elasticity are more exposed to demand-driven risk since the consumption of high-consumption households is more exposed to aggregate shocks. These firms earn higher risk-adjusted equity returns. A portfolio that goes long on the most exposed firms and short on the least exposed gets an abnormal risk-adjusted annual return of 7.5%. This risk does not seem to be coming from competition. A portfolio that goes long in firms exposed to demand-driven risk and competitive pressure and short on firms not exposed to demand-driven risk nor competitive pressure earns an abnormal risk-adjusted annual return of 14%.

Published Papers

1. **Why Do Managers Disclose Risks Accurately? Textual Analysis, Disclosures, and Risk Exposures** [download]
   Economic Letters, Volume 204, July 2021, 109896

Fellowships, Honors, Awards and Grants

Best Paper Award: Invesco IQS Factor Investing Prize, 2021

The Jacobs Levy Equity Management Center for Quantitative Financial Research Grant, 2020

Jacobs Levy Center Research Paper Prize for Best Paper, 2019

WFA Cubist Systematic Strategies Ph.D. Candidate Award for Outstanding Research, 2019

Finalist, BlackRock's Applied Research Award, 2019

Macro Finance Society Ph.D. Student Award, 2019

Best Paper, European Investment Forum Research Prize, Cambridge, 2019

Best Paper in the Investment Track, Baltimore Area Finance Conference, 2019

Irwin Friend Doctoral Fellowship in Finance, Wharton, 2019

The Jacobs Levy Equity Management Center for Quantitative Financial Research Grant, 2019

Rodney L. White Center for Financial Research Grant, 2019

The Mack Institute for Innovation Management Research Grant, 2019

George James Term Fund Travel Award, Wharton, 2019

Jacob Levy Fellowship, Wharton, 2019

Rodney L. White Center for Financial Research Grant, Wharton, 2018

The Mack Institute for Innovation Management Research Grant, 2018

Conferences and Presentations

2021: EFA, NBER Summer Institute, International Conference on Economics and FinTech, Frontiers of Factor Investing Conference, The Future of Financial Information Conference, University of Florida, BI Norwegian Business School

2020: NBER Big Data and Securities Markets, SFS Cavalcade, EFA, Wolfe Virtual Global Quantitative and Macro Investment Conference*, Global Virtual Seminar Series on Fintech*, Columbia University, University of Texas at Austin, University of Notre Dame, University of Houston, Texas A&M University, Georgia Institute of Technology, University Carlos III de Madrid, BI Norwegian Business School, New Economic School, ITAM, Wharton PhD Lunch Seminar

2019: WFA, The Future of Financial Information Conference, European Investment Forum Research, INFORMS Annual Meeting, NLP and Machine Learning in Investment Management Conference, Baltimore Area Finance Conference, 5th Annual University of Connecticut Finance Conference, International Finance Conference 11, 27th Finance Forum, 2nd Dauphine Finance PhD Workshop, EFA Doctoral Tutorial, Financial Markets and Corporate Decisions, Southern Finance Association, BlackRock, 2019 ITAM Alumni Conference, Inquire Autumn Seminar 2019, Macro Finance Society PhD Session, TCU Finance Conference, Wharton PhD Lunch Seminar

2018: INSEAD-Wharton Doctoral Consortium, Wharton PhD Lunch Seminar

* *Presentations by coauthors*

Referee

Journal of Finance, *Review of Financial Studies*, *Journal of Financial Economics*, *Review of Finance*, *Management Science*, *Economic Letters*, *Journal of Financial Econometrics*

Languages

English (fluent), Spanish (native), Portuguese (basic), French (basic)

REFERENCES

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