

## FLAVIO DE ANDRADE JR

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CITIZENSHIP: Brazilian

### DOCTORAL STUDIES

Ph.D., Finance, Expected 2009  
**Northwestern University - Kellogg School of Management**, Evanston, IL  
Dissertation: “Essays in Government Guaranteed Credit and Asset Pricing”  
Committee: Prof. Deborah Lucas (Chair), Prof. Ravi Jagannathan, Prof. Robert Korajczyk, Prof. Peter Klibanoff

### PREDOCTORAL EDUCATION

M.S., Econometrics and Mathematical Economics, **London School of Economics and Political Science** (LSE), London, 2003

M.A., Mathematics, **Institute for Pure and Applied Mathematics** (IMPA), Rio de Janeiro, 2002

B.A., Economics, **IBMEC Business School**, Rio de Janeiro, 2001

### RESEARCH INTERESTS

Asset Pricing, Government Guaranteed Securities, Derivatives, Fixed Income Securities, and Impact of Earnings Information on Securities Prices

### FELLOWSHIPS AND HONORS

Northwestern University, Kellogg School of Management Fellowship, 2003 – Present

Graduate Merit Award, London School of Economics, 2002 – 2003

CNPq Fellowship for MS in Mathematics at IMPA, 2000 – 2002

Valedictorian of the graduating class at IBMEC Business School, 2000

## TEACHING EXPERIENCE

Teaching Assistant, Northwestern University, 2004-2008

M.B.A. Courses:

- Finance I (Prof. Kent Daniel and Prof. Annette Vissing-Jorgensen)
- Finance II (Prof. Andrea Eisfeldt, Prof. Mitchell Petersen, and Prof. Chris Polk)
- Fixed Income Securities (Prof. Deborah Lucas)
- Derivatives II (Prof. Robert McDonald)

Ph.D. Courses:

- Introduction to Financial Theory (Prof. Costis Skiadas)
- Dynamic Asset Pricing (Prof. Costis Skiadas)

Undergraduate Course:

- Corporate Finance (Zhiguo He and Danny Meidan)

Teaching Assistant, IMPA, 2002

M.A. Courses:

- Microeconomics
- Mathematical Methods in Finance

Teaching Assistant, IBMEC, 1998

Undergraduate Course:

- Introduction to Microeconomics

## RESEARCH

Working Papers:

**Why Do Guaranteed SBA Loans Cost Borrowers So Much?**, 2009 (with Deborah Lucas)

**Measures of Downside Risk and Mutual Fund Flows**, 2008

In Progress:

**The Effect of Market Concentration on Intra-Industry Information Transfers Following Earnings Announcements**, 2008 (with Renato Gomes and Rafael Rogo)

## ACADEMIC CONFERENCES AND SEMINARS

**Why Do Guaranteed SBA Loans Cost Borrowers So Much?**

- American Economic Association Meetings, San Francisco, 2009 (presenter)
- Federal Reserve Bank of Cleveland, 2009 (presenter)

**Measures of Downside Risk and Mutual Fund Flows**

- Ninth Annual Trans-Atlantic Doctoral Conference, London, 2009 (presenter)

## **PROFESSIONAL EXPERIENCE**

Merrill Lynch, Summer Associate, Quantitative Research, New York, 2008

Comissão de Valores Mobiliários (CVM), Brazil's SEC, Intern – Office of Economic Analysis, Rio de Janeiro, 1998

## **COMPUTER SKILLS AND DATABASES**

SAS, C++, Matlab, VBA, Excel, CRSP, NYSE's TAQ

## **PERSONAL**

Foreign Languages: Portuguese (native), English (fluent), Spanish (fluent)

Hobbies: Surfing, Snowboarding, Kitesurfing, Squash, and Traveling

## **REFERENCES**

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## RESEARCH ABSTRACTS

### Working Papers:

#### **1. Why Do Guaranteed SBA Loans Cost Borrowers So Much?** – with Deborah Lucas

The SBA assists small businesses in obtaining access to bank credit by guaranteeing a portion of their loans. Despite the substantial federal guarantee and a history of modest default rates, borrowers are charged rates similar to those on low-grade bonds. We suggest several possible explanations for this phenomenon, including lack of competition between SBA lenders, and a relatively high cost of insured capital for guaranteed loans. Using comprehensive data obtained from SBA on all disbursed loans from 1988 to 2008, we find some evidence of market power in that large lenders charge borrowers relatively high rates. To evaluate the cost of capital on the guaranteed portion of SBA loans, we develop a Monte Carlo model of the cash flows on fully guaranteed SBA securitized pools, taking into account historical default and prepayment patterns. Comparing our model predictions to market prices provided by large dealer in SBA pools, we find that investors required a spread between 100 and 200 bps over the Treasury curve to hold these securities.

#### **2. Measures of Downside Risk and Mutual Fund Flows**

Mutual funds that recently outperformed receive a disproportionate share of new money, despite no clear evidence that good performance persists. In this paper I examine whether consumers also use past performance to identify funds with lower downside risk. I explore the response of fund flows to performance in declining markets compared to the performance in up-markets. Estimates of up and down-market betas as well as down and up-market alphas are obtained from mutual funds' performance conditioned on the sign of the market's excess returns. Consumers invest more heavily in funds that recently produced higher relative down-market alpha and higher relative up market beta. Fund flows react in a similar way to another proxy of down-market risk based on conditional absolute returns. The results of this research confirm that mutual fund investors seek portfolio insurance, in addition to performance. The tests presented here could be of interest to fund of funds, and are sufficiently general to be explored in other investment products such as hedge funds.

### Work in Progress:

#### **3. The Effect of Market Concentration on Intra-Industry Information Transfers Following Earnings Announcements** – with Renato Gomes and Rafael Rogo.

Earnings information has strong influence on stock prices. Earnings announcements impact the stock price of the announcing firm and also of firms that have common risk factors, such as firms within the same industry. In this paper we derive a simple model that accounts for industry concentration, where a firm's profit function is revealed through the sequence of earnings announcements of competing firms and of the firm itself. The transfer of information by competing firms in the same industry has interesting implications for stock price dynamics, but the magnitude of these effects depend on industry concentration. We examine the conclusions of the model in practice by testing empirically how industry concentration affects the transfer of information via earnings announcements of competing firms.