Yicheng Liu

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EDUCATION

The Ohio State University 2021 - present
Ph.D. in Finance

Duke University 2019 - 2021
M.A. in Economics

Nanjing University 2015 - 2019
B.A. in Finance, minor in Mathematics

RESEARCH INTEREST

Asset pricing, Macro-finance, Intangible capital and market power

WORKING PAPERS

Institutional Investors' Subjective Risk Premia: Time Variation and Disagreement
(with Spencer Couts, Andrei Gonçalves, and and Johnathan Loudis)

Abstract: In this paper, we study the role of subjective risk premia in explaining subjective expected return time variation and disagreement using the long-term Capital Market Assumptions of major asset managers and investment consultants from 1987 to 2022. We find that market risk premia explain most of the expected return time variation, with the rest explained by alphas. The risk premia effect is almost entirely driven by time variation in risk quantities as opposed to risk price. Nevertheless, risk price explains about half of the transitory effect of risk premia on expected returns. Market risk premia also explain most of the expected return disagreement, but in this case alphas have a quantitatively significant effect, and risk price and risk quantities are roughly equally responsible for the risk premia effect. Our results provide benchmark moments that asset pricing models should match to be consistent with institutional investors' beliefs.

WORK IN PROGRESS

Intangibles, Market Power, and Firm Value

Abstract: Abstract Firms actively accumulate market power through intangible capital and this endogenous relation is understudied in the literature. This paper develops a dynamic model where intangible capital enables firms to charge higher markup. Using this framework, I decompose Tobin's Q for each firm in each year and quantify the value of endogenous and exogenous sources of market power. I find that the value of market power contributes to around 27% of Tobin's Q, with half of it driven by intangibles, and exhibits significant heterogeneity across firms. I then apply the framework to construct model-implied market-to-book ratios purged of market power. This adjusted measure restores the value premium in recent decades when traditional value premium has weakened.

Investment-based Costs of Equity
(with Andrei Gonçalves, Chen Xue, and Lu Zhang)

Abstract: This paper develops the q^5-characteristics model for estimating costs of equity as out-of-sample forecasts from cross-sectional predictive regressions. The q^5-characteristics model is competitive in evaluation tests, outperforming the accounting-based implied cost of equity in predicting returns in the cross section but underperforming in the time series. The q^5 cost of equity is precise at the industry level and aligned with future realized factor premiums. Its firm-level distribution is weakly left-skewed, whereas the accounting cost of equity is weakly right-skewed. However, the accounting cost of equity substantially outperforms in time series predictability, especially for the equity premium.

Research and Teaching Experience

Instructor, Investments, The Ohio State University   Summer 2024
  Nominated for Outstanding Undergraduate Instructor Award
Research assistant, for Prof. Andrei Gonçalves, The Ohio State University   2025
Research assistant, for Prof. Lu Zhang, The Ohio State University   2021-2025
Teaching assistant, Economic Principles, Duke University   Summer 2020

Awards

Bartels Fellowship   2025

Skills

Programming: Julia, R, MATLAB, STATA, SAS
Languages: English (fluent), Chinese (native), Japanese (intermediate)