Sergei Kovbasyuk

CONTACT INFORMATION:
Einaudi Institute for Economics and Finance
62 via Sallustiana
00187 Rome, Italy
tel: 00 39 06 47 92 49 76
http://sites.google.com/site/skovbasyuk
Email: skovbasyuk@gmail.com

Academic Positions

Assistant Professor, Einaudi Institute for Economics and Finance (EIEF), August 2011-present.

Education

Ph.D., Economics, Toulouse School of Economics, 2011.
M.A., Economics, New Economic School, Moscow, 2006.
B.S., Applied Physics and Mathematics, Moscow Institute of Physics and Technology, 2004.

Fields of Interest

Finance, Economics of Information,Contract Theory.

Working Papers

Seller-paid Ratings (previously Optimal Certification Design), *Revision requested by RAND*

Credit rating agencies are paid by sellers and issue ratings, that are legally treated as opinions and effectively are “cheap talk”. This paper shows that the informativeness of ratings critically depends on the transparency of payments. When the payments from the seller to the rater are public, perfect ratings are feasible, and a competitive rater offers perfect ratings for high quality products. When the payments are private, only coarse ratings are feasible and information is lost, because a competitive rater charges high fee for high ratings and these ratings pool products of different qualities.

Memory and Markets joint with Giancarlo Spagnolo, *Submitted*

In many environments, such as credit and online markets, past records about participants are collected, published, and erased after some time. We study the effects of erasing past records on trade and welfare in a dynamic model where each seller's quality follows a Markov process and buyers leave positive or negative feedback about them. When average quality of sellers is low, unlimited records always lead to market breakdown, while limited records can sustain trade in the long run. Welfare is then maximized for short positive records and long but bounded negative ones.

Advertising Arbitrage joint with Marco Pagano,

When investors have limited attention, an arbitrageur who identifies several mispriced assets will advertise a single asset and overweight it in his portfolio. When several arbitrageurs identify the same arbitrage opportunities, their decisions are strategic complements: they invest in the same asset and advertise it. Then, multiple equilibria may arise, some of which inefficient: arbitrageurs may correct small mispricings while failing to eliminate large ones. Finally, reputation matters: arbitrageurs with a good track record influence prices with their ads more than those with no track record, and even more than arbitrageurs who proved wrong in the past.

Key Investors in IPOs joint with David Brown

We define key investors as institutional investors, who have reported holdings in past high-initial-return IPOs. We find key investors are persistent and continue to buy high-initial-return IPOs in the future. Their buying is not only driven by IPOs' observable characteristics but is also related to informational advantages. Key investors' IPO participation more strongly relates to initial returns when they are small, specialize in the IPO firm's industry and when the firm is hard-to-value. Key investors have strong relationships with underwriters, but relationships do not relate to high-initial-returns.

Credit Market Cycles joint with Artem Larinsky and Giancarlo Spagnolo

We study a dynamic continuous-time model of a market for unsecured debt, where borrower’s type is private information, and a credit bureau reports limited information about borrowers past. The model generates endogenous, deterministic credit cycles that stem from the endogenous amount of information about borrowers produced by the market and reported by the credit bureau. The credit cycles are driven by changes in the optimal lenders’ policy with respect to the pool of “unknown” borrowers with no credit history due to the endogenous changes in the composition of the pool at each point in time. Endogenous regime switches from “lending” to “no lending” to the “unknown” borrowers and vice-versa depend on the credit bureau memory and generate large fluctuations in aggregate lending in the absence of exogenous shocks.

Intertemporal competition for institutional capital in IPOs

We develop a theory of intertemporal competition for institutional capital in initial public offerings (IPOs) of equity. A firm issuing shares at date t courts institutional investors that also consider investing in subsequent IPOs at dates t+1,.. We characterize stationary equilibria when all issuers use bookbuilding. Issuers compete for institutional capital and in equilibrium pay rent to institutional investors: the shares are underpriced on average and institutional orders are treated favorably. Bookbuilding is flexible and permits the issuer to promise a higher return to institutional investors. If institutional demand is high institutional orders are treated favorably and the offer price only partially reacts to the high institutional demand. If the institutional demand is low, on the other hand, the price does not adjust and is set above the expected share value. Our theory accords with many documented empirical findings about IPOs and also generates novel predictions.

Wisdom of The Crowd

This paper studies a market for new projects with endogenous information acquisition by experts (venture capitalists). It finds that the crowd-like behavior of experts is characteristic of investments in new fields where prospects of new projects are unknown but correlated and experts independently collect small bits of information: each expert acquires a signal about a project and invests when the signal is favorable, given that the projects are related many experts are likely to invest when the projects are promising. The paper shows that investors at IPOs trust the crowd of experts and follow it: booms with high IPO prices occur when many experts are selling their projects because this conveys positive information about the projects. The analysis highlights that a critical mass of independent expert investors with the necessary expertise in a particular industry is essential for an active market for new projects to emerge: if experts are few each of them can manipulate the market by investing at random and driving the projects' prices up, investors at IPOs understand this and do not follow the experts.

Conference Presentations

- EARIE Conference (Maastricht, 2017),
- European Economic Association Meeting (2017),
- Barcelona GSE Summer Forum (2017),
- Asian Meeting of the Econometric Society (Hong Kong, 2017),
- Toulouse Conference on Economics of the Interntet (2017),
- Workshop on Adverse Selection, Markets and Competition (Tor Vergata, Rome, 2017)
- SITE workshop (Stanford, 2016),
- European Summer Symposium in Financial Markets (Gerzensee, 2016),
- IIOC (Philadelphia, 2016),
- Econometric Society World Congress (Montreal 2015),
- European Summer Symposium in Financial Markets (Gerzensee, 2015),
- European Summer Symposium in Economic Theory (Gerzensee, 2015),
- America Economic Association Meeting (Boston 2015),
- Applied Mechanism Design Workshop (Milan 2014),
- European Finance Association meeting (Lugano 2014),
- 10th CSEF-IGIER Symposium on Economics of Institutions (Anacapri, 2014),
- NBER workshop on the Economics of Credit Rating Agencies (Boston, 2013),
- EARIE Conference (Rome, 2012),
- European Summer Symposium in Economic Theory (Gerzensee, 2012),
- American Economic Association meeting (Chicago, 2012),
- Econometric Society European Winter Meeting (2010),
- Econometric Society World Congress (2010),
- European Economic Association Meeting (2009),
- European Economic Association Meeting (2008).

Seminars

2017: University of Mannheim, New Economics School (Moscow), ICEF-HSE (Moscow);
2015: Toulouse School of Economics, European University Institute, CSEF University of Naples;
2012: University of Mannheim; European University Institute; CSEF University of Naples; University of Copenhagen;

2011: Crest (Paris); University of Geneve; University of Pompeu Fabra; Einaudi Institute for Economics and Finance; University of Zurich; Boston University; Stanford GSB;
2010: HEC Lausanne; CREST (Paris); Mannheim University; New Economic School (Moscow); Toulouse School of Economics.

Languages

English, Russian, Italian, French.

Personal Information

Born August 19, 1983, Russian citizen.