# Sharon Y. Ross


CONTACT INFORMATION

Board of Governors of the Federal Reserve
20th and Constitution Avenue NW
Washington, DC 20551

sharon.ross@aya.yale.edu
sharon.y.ross@frb.gov
www.sharonyross.com


## EDUCATION

**Yale University**

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| Ph.D., Financial Economics | 2021 |
| M.Phil., Financial Economics | 2019 |
| M.A., Financial Economics | 2019 |

**Yale University**

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| B.S. Statistics & B.A. Economics | 2014 |

**Thomas Jefferson High School for Science and Technology** 2010

## EMPLOYMENT

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| Senior Economist, Board of Governors of the Federal Reserve | 2024–present |
| Economist, Board of Governors of the Federal Reserve | 2023–2024 |
| Research Economist, Office of Financial Research, U.S. Treasury | 2021–2023 |
| Global Macro Research Analyst, Goldman Sachs & Co. | 2014–2016 |
| Global Economics Summer Analyst, Goldman Sachs & Co. | 2013 |

## RESEARCH FIELDS

Asset Pricing, Financial Intermediation, Macrofinance

## WORKING PAPERS

**Quantities and Covered-Interest Parity** with Tobias J. Moskowitz, Chase P. Ross, and Kaushik Vasudevan

*Revise & Resubmit, Journal of Finance*

Studies of intermediated arbitrage argue that bank balance sheets are an important consideration, yet little evidence exists on banks' positioning in this context. Using confidential supervisory data (covering $25 trillion in daily notional exposures) we examine banks' positions in connection with covered-interest parity (CIP) deviations. Exploiting cross-sectional variation in CIP deviations that have largely challenged existing theories, we document three novel forces that drive bases: 1) foreign safe asset scarcity, 2) market power and segmentation of banks specializing in different markets, and 3) concentration of demand. Our findings shed empirical light on the interplay of frictions influencing banks' provision of dollar funding.

**Making Money** with Gary B. Gorton and Chase P. Ross, NBER WP #29710

*Revise & Resubmit, Journal of Finance*

It is hard for private agents to produce money that circulates at par with no questions asked about its backing. The last circulating privately-produced money in the U.S. existed before the Civil War when thousands of private banknotes circulated. After that, the U.S. government taxed them out of existence in favor of money backed by U.S. Treasury bonds. The question of privately-produced money has arisen again in the form of stablecoins, digital assets purportedly backed one-for-one with collateral. Stablecoins are currently used to facilitate crypto trading, but could stablecoins eventually circulate as a hand-to-hand currency? To address this question, we first study pre-Civil War bank notes to determine what forces pushed these moneys from a negative convenience yield to a positive convenience yield. We then take these results and ask whether the same forces affect stablecoins, pushing them toward positive convenience yields.

**Cash-Hedged Stock Returns** with Chase P. Ross and Landon J. Ross, OFR WP #22–03 and FEDS #2022-055

*Revise & Resubmit, Review of Asset Pricing Studies*

*2023 SWFA best paper award winner in investments*

*2022 FMA best paper semifinalist in investments*

Corporate cash piles vary across companies and over time. A firm's cash holding is an implicit position in a low-return asset that is correlated across firms. Cash generates variation in beta estimates. We show how investors can hedge out the cash on firms' balance sheets when making portfolio choices. We decompose stock betas into components that depend on the firm's cash holding, return on cash, and cash-hedged return. Common asset pricing premia—size, value, and momentum—have large implicit cash positions. Portfolios of cash-hedged premia often have higher Sharpe ratios because firms' cash returns are correlated.

**Leverage and Stablecoin Pegs** with Gary B. Gorton, Elizabeth C. Klee, Chase P. Ross, and Alexandros P. Vardoulakis, NBER WP #30796

*Revise & Resubmit, Journal of Financial and Quantitative Analysis*

Stablecoins are a new form of private money. They are fragile but largely trade at par. How? We present a model and empirical work to examine a novel source of demand for stablecoins contributing to their stability. Stablecoin owners are indirectly compensated for run risk by lending their coins to crypto speculators. The stablecoin can then support its $1 peg, but this arrangement links crypto speculation to traditional financial markets where stablecoins invest their reserves.

**Zombie Asset Pricing**

*Revise & Resubmit, Journal of Empirical Finance*

Persistent credit distortions warp equity returns. Japan's low momentum premium arises from banks providing subsided credit to "zombie firms." Controlling for zombies revives the momentum effect in Japan. Zombie-adjusted momentum doubles the unadjusted momentum Sharpe ratio, commands a positive price of risk, and is unspanned by other factors. Value, too, conforms closer to international results. Zombies rely on their banking relationships, and zombie losers' outsized bank betas push down momentum. Syndicated loan data confirm that companies with forbearance-inclined bank lenders drive low momentum.

**Government Risk Distortions: Zombies, Bailouts, and Government Suppliers**

Market distortions caused by intermediaries and the government lead to persistent asset pricing implications because there is a lack of diversification of intermediary and government risk. In Japan, zombie firms borrow at below-market rates. Intermediary risk prices zombies but not overall Japanese equities. Zombies differ from other bank-dependent firms because zombies rely on the government to continue allowing forbearance. This is reflected in the pricing: a government risk factor prices only zombies, and a Japanese intermediary factor prices zombies because intermediary risk covaries with government risk. Government risk exposure also determines the returns of U.S. firms with large government dependence.

**Where Collateral Sleeps** with Gary B. Gorton and Chase P. Ross

> Banks can use the discount window to fend off a run by pre-positioning their assets with the Fed and borrowing against them. While pre-positioning to the Fed can be costly, it allows banks to buy insurance against a bank run. But most banks don't pre-position. We use a novel dataset to study the forces that drive the largest banks' pre-positioning behavior. The quantity and composition of collateral placed at the Fed tell us about the relative value of that insurance. We show that banks pre-position more in bad times but pre-position less when collateral is desirable elsewhere and when stigma is higher. Even though pre-positioning is no panacea—banks still need good assets to borrow against—it can help on the margin. Regulators and bankers alike should worry about where collateral sleeps each night.

WORKS IN PROGRESS

**Convenience Stores** with Gary B. Gorton and Chase P. Ross

PRESENTATIONS

*2024*: ASSA,* Mountain West Economic History Conference,* MFA (×2), EFA,* NBER Financial Market Frictions and Systemic Risks,* Conference on the Financial Stability Implications of Stablecoins,* UCLA Fink Center Conference on Financial Markets,* Bank of France,* Society for Economic Dynamics,* Federal Reserve Short-Term Funding Markets Conference, Yale Program on Financial Stability Conference,* Women in the System Economic Research Conference, Washington Area International Finance Symposium, NBER Monetary Economics Fall 2024†

*2023*: ASSA, MFA, Chicago,* Stanford,* SWFA,* Philadelphia Fed, Edinburgh Economics of Financial Technology Conference,* Yale University Cowles Conference on General Equilibrium,* NASM,* CEBRA(×2), MoFiR,* EFA,* Oxford Saïd-Risk Center at ETH Zürich Macro-finance Conference,* Federal Reserve Economics of Payments XII Conference, Wharton Liquidity Conference

*2022*: Office of Financial Research, IMF,* ASU Sonoran Winter Finance, SF Fed-SFSU-UCSC Fintech Conference,* MFA,* Federal Reserve Short-Term Funding Markets Conference, SFS Cavalcade, Bank of England 7th Macro-finance Workshop,* SNB-CIF Conference on Cryptoassets and Financial Innovation,* BIS,* OCC, WFA,* Federal Reserve Summer Workshop on Money, Banking, Payments, and Finance, Fed Board,* FMA,* FDIC Bank Research Conference,* Stockholm School of Economics,* Third New York Fed Conference on FinTech,* Federal Reserve System Conference on Financial Institutions, Regulations, and Markets,* Wharton,* Federal Reserve Board (×2)

*2021*: Federal Reserve Board (×2), Federal Reserve Bank of Dallas, Office of Financial Research (×2), Vienna Graduate School of Finance,* NYU Stern,* Warwick Business School*

*2020*: Federal Reserve Board

** by coauthor, † scheduled*

DISCUSSIONS

*Communicating Culture Consistently: Evidence from Banks*
by Jillian Grennan, 2022 MFA

*Payment Risk and Bank Lending*
by Ye Li and Yi Li, 2022 OCC Symposium on Systemic Risk and Stress Testing in Banking

*Agency MBS as Safe Assets*
by Zhiguo He and Zhaogang Song, 2022 SFS Cavalcade

*The Risk and Return of Cryptocurrency Carry Trade*
by Zhenzhen Fan, Feng Jiao, Lei Lu, and Xin Tong, 2024 Eastern Finance Association

REFEREE

Review of Financial Studies

TEACHING EXPERIENCE

*Spring 2018, Spring 2019, Spring 2020*
Capital Markets (MBA/undergraduate), Yale School of Management, teaching fellow for Professor Gary B. Gorton

*Fall 2018, Fall 2019*
Applied Quantitative Finance (MBA/undergraduate), Yale School of Management, teaching fellow for Professor Tobias J. Moskowitz

OTHER WRITING

*At Office of Financial Research:*

**Non-centrally Cleared Bilateral Repo** with Samuel J. Hempel, R. Jay Kahn, and Vy Nguyen (2022)

*At Yale Program on Financial Stability:*

**Forecasting the Economy During COVID-19** with Chase Ross (2020)

**Flight from Maturity During the Coronavirus Crisis** with Chase Ross, Gary B. Gorton, and Andrew Metrick (2020)

*At Goldman Sachs Global Economics Research:*

**Secular stagnation, demographics, and low real rates** (2015)

**A market's perspective on European growth** with Noah Weisberger and Aleksandar Timcenko (2015)

**Glory days: USD strength in the 1980s, 1990s, and today** with Noah Weisberger (2015)

**Let the good times flow: Oil, growth, inflation, and rebalancing** with Noah Weisberger (2014)